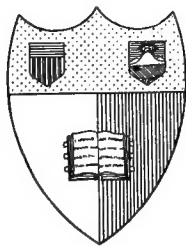


FEDERAL MILK COMMISSION
FOR THE MIDDLE STATES

PUBLIC HEARINGS

NEW YORK STATE COLLEGE
OF
AGRICULTURE



New York
State College of Agriculture
At Cornell University
Ithaca, N. Y.

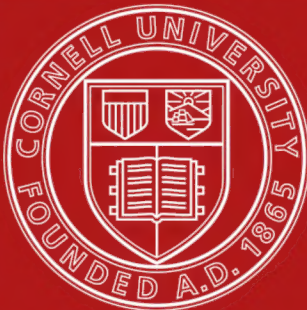
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Commission's Ex. 69 - 1-26-18

NOTICE

By order of the Federal Milk Commission

We beg to announce the following prices, effective

Sunday, January 6, 1918:

Grade "B" Milk	15c per qt. Bottle
Grade "B" Milk	9c per qt. bottle
Grade A "Select" Milk	17c per qt. bottle
Grade A "Select" Milk	10c per qt. bottle
Certified Milk	20c per qt. bottle
Certified Milk (Brookside Farm)	22c per qt. bottle
Condensed Milk	14c per $\frac{1}{2}$ pt.
"X" Cream	22c per $\frac{1}{2}$ pint bottle
"XX" Cream	28c per $\frac{1}{2}$ pint bottle

SHEFFIELD FARMS CO, Inc.

To the
Federal Milk Commission:

The attached NOTICE was handed to me by Serabian Brothers, 118th St. & Amsterdam Avenue, N. Y. C., with the information that the Sheffield Farms Co., charged the prices listed thereon to them, (Serabian Brothers); therefore they had to charge the consumer an added amount.

Jan. 26, 1918

Aimee E. Spurr,
430 W. 118th St.
New York City.

List of shops where milk prices have been noted during January

	Grade B in bottles
Valentine Market Co., 119th St. & Amsterdam Av., N.Y.C.	10c pt. 15c qt.
Serabian Brothers, The Melville, 118th St. & Amsterdam Av., N.Y.C.	10c pt. 15c qt.
Schaefer & Wilke, Morris Heights, Bronx, and Delicatessen Store, which is only other shop there.	15c qt.
Tuck's Delicatessen & Grocery, Broadway bet. 151th & 152d St., N.Y.C.	10c pt. 17c qt.
Kruse Delicatessen Store, Rogers Av., near Maple St., Brooklyn.	20c qt. (5c return)
Delicatessen Store, Cor. Fulton & Fort Green Pl., Brooklyn. (downtown side)	10c pt. 20c qt. (5c return)
Grocery Store, Cor. Fulton & Fort Green Pl., Brooklyn. (uptown side)	14c pt. (2c return) 20c qt. (2c return)
Schulman, Delicatessen Store, 6th Av., bet. 38th & 39th Sts., N.Y.C.	10c pt. 15c qt.

There is no refund for bottles returned, except where noted.

xx It was not noted if there was a refund on this, but do not think so.

Aimee E. Spurr,

430 W. 118th St., N.Y.C.

Jan. 26, 1918.

MEETING OF THE FEDERAL MILK COMMISSION FOR THE MIDDLE STATES, held at the office of the New York Federal Food Board, 220 West Fifty-seventh Street, New York, on Saturday, January 26th, 1918, at ten o'clock A.M.

There were present:

DR. W. H. JORDAN, Chairman.
DR. L. P. BROWN,
S. C. SHEDRICK,
BRADLEY FULLER,
CHARLES M. DOW,
EUGENE SCHOEN,
ARTHUR WILLIAMS,
JOHN MITCHELL,
MABEL HYDE KITTREDGE,
MORTIMER SCHIFF.

A p p e a r a n c e s:

MR. ALGER, for the Distributors,
MR. MILLER, for the Producers.

The Chairman called the meeting to order at 10:45 o'clock A.M.

THE CHAIRMAN: Has Mr. Alger, counsel for the distributors, any statement?

MR. ALGER: To begin with, it is simply this: That certain matters were started on the commission's own initiative at the last hearing with reference to some charge made by "The Rural New Yorker", which you cared to investigate. It all happened prior to January. I have, however, witnesses here who will give you the dealer's side of this episode, if you want to have it.

If you do care to go into it further, why, we will drop it; if you do care to go into it further, we will go just as far as you want.

THE CHAIRMAN: The question before the commission is this: ~~Does the commission wish to go further into that~~ episode of the "Rural New Yorker" charges? Is there any advantage in it?

COMMISSIONER SCHOEN: No, I do not see any.

THE CHAIRMAN: It occurred previous to any jurisdiction we had.

COMMISSIONER SCHOEN: Well, Mr. Chairman, it does not make any difference whether it occurred previous or subsequent thereto. Anybody has the right to undersell the market if he wants to.

THE CHAIRMAN: Well, I wanted the opinion of the commission on whether we will go into this matter any further. Unless there is a call for the commission to go into it further we will not go into it any further at this time.

MR. ALGER: I simply do not want, Dr. Jordan, to leave it in the situation that the distributors had this put up to them and have not been ready to make their reply.

THE CHAIRMAN: Well, you have it on the record that you are ready to proceed if we desire.

MR. ALGER: Very well. Then I will just let the witnesses go.

THE CHAIRMAN: Are you ready to present further testimony this morning?

MR. ALGER: Yes.

J O H N W. R O B E R T S, was recalled, and testified as follows:

QUESTIONS BY MR. ALGER:

Q Now, Mr. Roberts, have you made certain compilations of facts and figures from the books of certain of these distributors with reference to country bottled milk during the month of November? A Yes.

Q Showing the operations of three of the large companies during that time, Have these figures been gathered together in much the same way in which the figures of the preceding hearing were gathered together, for the month of October? A They were compiled under the same instructions.

Q And these compilations, I take it, were made by the auditing or accounting department of these companies and turned over to you for compilation and presentation here? A Yes.

Q Now, what companies have you covered, A The figures are combined here for Sheffield Farms, Empire State Dairy Company and the Borden Farm Products Company, Inc.

Q Have you any extra copies of that? A I haven't enough extra copies to go all the way round.

MR. ALGER: I will offer this in evidence.

(Statement received in evidence and marked Commission's Exhibit No. 68, of this date.)

Q Now, this shows the operations for November in the retail bottled milk business, does it? A Yes.

Q And wholesale as well? A Yes.

Q Now, let us see what you did to make up your analysis?

A The Sheffield Farms Slawson-Decker Company and the Empire State Dairy Company prepared their figures on the same basis as last month. Some figures were presented for October. Apportioning the expenses of the various operations against the quantities handled in those operations, for the various classes of products. The Borden Farm Products Company furnished figures according to their system of accounting, which are not on precisely the same basis, but worked up from a little more highly developed cost system.

Q I notice a blank here. How do you account for that? A Because all their milk was city bottled. All the bottled milk was city bottled, so there was -

Q (Interrupting) The Empire State Dairy Company has no city bottled milk, and that is the reason on this first sheet you have a blank space opposite the city bottled for the retail entry? A Yes.

Q And what does this exhibit show as to the profits and losses of those companies from the handling of Grade

"B" milk in bottles during that month? A It shows that the combined results of the three companies show a loss on country bottled milk sold retail of \$2,940.60; amounting per quart to \$.002646. On city bottled milk sold retail, a loss of \$74,245.14, or per quart of \$.009669. On city bottled wholesale it shows a loss of \$2,011.65.

THE CHAIRMAN: Is that a loss?

Q Loss or profit? A I mean profit. It shows a profit of \$2,011.65, or per quart of \$.003731.

Q That is your first sheet, and the exhibits attached to the schedules, 1, 2 and 3, are the analyses made, from which the first sheet is compiled; is that correct? A Yes.

Q And compiled in the way in which you followed at the last exhibit that you produced at the last session of the commission? A Yes.

MR. ALGER: Are there any questions the commission has to ask about this schedule?

THE CHAIRMAN: Any questions, Mr. Miller?

MR. MILLER: No.

COMMISSIONER SCHOEN: How would these delivery costs, Mr. Alger, compare with delivery costs during January?

MR. ALGER: I do not think it is possible, commissioner, to make a comparison at this time/. January is not complete. I can state, however, that the January costs will be a great deal more than November. The weather situation, the difficulties of getting milk in, the difficulties of handling, the overtime of labor waiting for the

train to get in. Some of these men have been getting \$40.00 and \$50.00 a week, - men who ordinarily get about half that, for the overtime and waiting for these milk trains to arrive. In addition to that, general disintegration of trade, by the fact that you can't get the milk to your customers in the morning and get the customers dissatisfied on that basis. It is a very hard month from the operating standpoint of the business, - an unusual month.

COMMISSIONER BROWN: Do you think then, Mr. Alger, that the final sheets for January will show much more unfavorable conditions than November?

MR. ALGER: Oh, yes. Your own knowledge of that, Dr. Brown, would suggest that same conclusion, I have no doubt.

THE CHAIRMAN: You would not consider, however, that January with its unfavorable conditions is a fair type of expenses, would you?

MR. ALGER: I would not say that. On the weather conditions, it would not be.

THE CHAIRMAN: On weather conditions.

MR. ALGER: Yes.

THE CHAIRMAN: Now, Mr. Alger, is that -

MR. ALGER: (Interrupting) I thought I would let the commission ask, if they have some questions to ask on these exhibits.

THE CHAIRMAN: I do not think so.

MR. ALGER: I thought I would put it in this simple way, instead of calling these separate accountants who turned these figures over to him.

THE CHAIRMAN: There was a request made yesterday, Mr. Alger, for a statement such as was forwarded to the Federal Government.

MR. ALGER: Mr. Rareshide, of the Borden Company, has been telephoned for that this morning. Mr. Cronk tried to get it yesterday afternoon, but Mr. Rareshide was out, and for that reason it was not available. I understand it will be up here in a very short time now.

(After a short discussion off the record, Mr. Alger stated that no report for November was made to the Federal Food Administration, as to the profits of the business.)

THE CHAIRMAN: Mr. Williams, Mr. Alger informs us that Mr. Rareshide has told him that no report was made of any kind for November, and that the only thing would be a statement, possibly, as to the volume of business; but that no statement as to profits has been made.

COMMISSIONER WILLIAMS: It has not been made yet?

THE CHAIRMAN: It has not been made.

MR. ALGER: It has not been requested. If you can give us a form number or a sample, we can get you the information.

COMMISSIONER WILLIAMS: You mean, the blanks have not been furnished from Washington yet?

MR. ALGER: Yes, sir.

COMMISSIONER SCHOEN: Mr. Williams asked for certain definite information; and even, as I understand, Mr. Alger and Mr. Nathans, if you get those blanks, you will not get the information they have been asking for, namely, the volume of business. You will only get the quantity of business, but not its money value; and therefore if the information which you want is essential for us, you won't get it that way.

MR. NATHANS: If you can get us a sample of the form, you can find out if that particular form has been received by any of the dealers. So far all we have been able to find are the reports of licensed purposes, the volume of business for the year.

COMMISSIONER WILLIAMS: What you mean, is you have not received the blanks for the months reports?

MR. NATHANS: I have not been able to find any dealers in this city who have had it.

COMMISSIONER WILLIAMS: The last word I had from Washington was that they had not been sent.

MR. ALGER: That is what I expected to have this morning. The Borden company sent in some other figures, which will cover some of that ground which you will want, which will be here very shortly.

COMMISSIONER SCHOEN: Mr. Chairman, yesterday the commission requested the notice of the Sheffield Farms company advising the public of the raise in price. Mr. Miller handed these papers in this morning. The commission

might take that matter up because it seems they are charging excessive prices for milk all over the city. While he may not have any authority to change it, perhaps the City Food Administration have.

MR. ALGER: What is the date on which they were put out?

COMMISSIONER SCHOEN: Well, I guess that can be read into the record.

THE CHAIRMAN: Here is a notice signed by the Sheffield Farms Company, Inc. (Reading)

"By order of the Federal Milk Commission.

We beg to announce the following prices, effective Sunday, January 6, 1918.

Grade "B" Milk 15 cents per quart bottle.
Grade "B" milk 9 cents per pint bottle. Grade "A" Select milk -- "

MR. NATHANS: That is a trade name.

THE CHAIRMAN: (Continuing) "7 cents per quart bottled. Grade "A" Select milk, 10 cents per pint bottle. Certified milk 20 cents per quart bottle. Certified (Brookside Farm) 22 cents per quart bottle." Then there is data here as to condensed milk and cream, in which we have no interest.

MR. NATHANS: What is the exception that is taken to that?

COMMISSIONER SCHOEN: If Dr. Jordan will now consult the other sheet, together with that, and then the additional sheet, you will get what the connection is.

MR. ALGER: Oh, I see. Is there an additional sheet?

COMMISSIONER SCHOEN: Yes.

MR. MILLER: The additional sheet, I think, is the list of dealers that are charging 10 cents a pint.

COMMISSIONER SCHOEN: Yes.

MR. ALGER: What is there in the regulations in reference to pints?

COMMISSIONER SCHOEN: 9 cents to the consumer.

THE CHAIRMAN: That is Grade "A".

MR. WATHANS: Which dealers are you talking about?

COMMISSIONER SCHOEN: There is a list of them.

THE CHAIRMAN: (Reading) "To the Federal Milk Commission:

The attached notice was handed to me by Serabian Brothers, 118th Street and Amsterdam Avenue, N.Y.C., with the information that the Sheffield Farms company charged the prices listed thereon to them, (Serabian Brothers); therefore they had to charge the consumer an added amount."

MR. MILLER: Mr. Chairman, it strikes the producer very forcibly that if this practice of charging 10 cents a pint is as widespread as the investigations in that locality indicate, that there is something radically wrong. Milk for which the producers receive barely 8 cents a quart, through the agency of processing and distribution becomes 20 cent

milk here to the consumer in this city, per quart. Now that is a grave indictment of existing conditions. It is unthinkable to us that very many of the poor people of the city that can pay 10 cents for a pint of milk, would not very much prefer to add 4 cents to that and get a quart, unless for some reason they are discouraged in doing so.

THE CHAIRMAN: I have here an additional list which I did not notice. (Reading) "List of shops where milk prices have been noted during January. " The list of prices is headed, "Grade "B" in bottles".

MR. ALGER: That is the price at which it is sold in the store?

THE CHAIRMAN: Yes; I assume that is true.

COMMISSIONER SCHOEN: Yes.

THE CHAIRMAN: Here is a list of seventeen parties.

MR. NATHANS: None of them dealers, are they, Mr. Chairman?

THE CHAIRMAN: I will read them, and you can tell.

(Reading) "Valentine Market Company, Serabian Brothers, Schaefer & Wilke, Tuck's Delicatessen & Grocery, Kruse Delicatessen Store, Delicatessen Store, Grocery Store, Schulman Delicatessen Store."

All stores, I should say. And the pint charges are in all cases 10 cents. In several cases the quart charges are 15 cents, but in other cases 20 cents a quart with a 5 cent return. That is where five cents is deposited

for the bottle.

MR. NATHANS:, But there is no indication on that list as to what prices the milk was sold to those stores at?

THE CHAIRMAN: No,sir, not in this list.

MR. NATHANS: Might I call your attention to what I understand, or what we understand to be the situation: That your commission has no jurisdiction over the selling prices of these stores, that they are not parties to this agreement with the Food Administration.

COMMISSIONER FULLER: In the price to the consumer?

MR. NATHANS: Yes, your commission has no reason to expect those stores to observe your decision, except as a matter of policy and publicity; but these stores are not bound by the decision of this committee, - the dealers in their own stores. The producers are as to the selling price.

THE CHAIRMAN: The producers are bound in price.

MR. NATHANS: And the distributors are bound.

THE CHAIRMAN: And the distributors.

MR. NATHANS: But not the stores.

THE CHAIRMAN: I am not a lawyer, but I do not understand —

MR. NATHANS: I do not excuse those storekeepers, understand; I amonly pointing it out.

MR. ALGER: We are not responsible for the prices the storekeepers charge. but we are keeping within the letter of the agreement. It is very far from the evidence, that

we are not, to my mind.

MR. MILLER: Mr. Chairman, may I point out that the result of that is that by the mere expedient of turning over the milk to the retail dealers the consumers in the city are compelled to pay more than they ought to for that milk.

COMMISSIONER SCHOEN: Mr. Chairman, may I ask Mr. Alger a direct question?

CHAIRMAN

MR. ALGER: Yes.

COMMISSIONER SCHOEN: What does the Sheffield Farms company charge the retail grocery man for a pint of milk?

MR. ALGER: I do not know that we sell any retail grocery men. I will be very glad to get you any information on that subject you want.

COMMISSIONER SCHOEN: Because I received information that the Sheffield Farms Company does actually charge the retail grocery man nine cents a pint for milk, because this commission did not fix the price last time from the distributor to the groceryman, and that the Sheffield Farms company is taking advantage of that fact and actually charging nine cents a pint for milk in bottles, because we did not say how much they shall charge.

MR. ALGER: I will find out about that.

COMMISSIONER SCHOEN: I would like to know about that.

MR. ALGER: I would like to know about that, and give you an explanation, too.

COMMISSIONER SCHEDRICK: Mr. Alger, will Mr. Horton be here this afternoon, in regard to the information on this whole matter?

MR. ALGER: I can have him here this afternoon.

COMMISSIONER SHEDIRCK: I would like to have him.

MR. ALGER: We had better take this thing up as a whole.

COMMISSIONER SHEDRICK: Let us take it up and find out. These inferences do not sound good.

THE CHAIRMAN: The stenographer will make a record of that list in the record.

(Papers referred to received in evidence and marked Commission's Exhibit No. 69, of this date, copy of which appears at the end of this day's session.)

COMMISSIONER SCHOEN: Mr. Chairman, may I make one more statement here? We ought to request the Federal Food Administration in New York here to see, as far as it possibly can, that any dictum of this commission is carried out as nearly as it can. While I agree thoroughly with Mr. Nathans that we have no jurisdiction over the store men in the disposal of his milk products, I think you have a great deal of control. You can refuse, for example, to sell a man milk unless he charges the consumer that price which we have fixed as the consumer's price; and I think the

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Federal Food Administration can go still further, and, through the licensing of your various companies, can compel you to do so; so that while theoretically we have not any justification over the price that the ~~retailer may~~ charge, actually we have.

MR. ALGER: May I ask you this, Mr. Schoen? Supposing you do that, and supposing you have the retailer say, "I do not want any milk", on the very basis that those witnesses testified yesterday; "we will take your milk out of the store. I am not going to handle milk if I can't do it except at a loss." What becomes of the dealer then? Additional surplus on his hands, I suppose. It is another case of the dealer doing the best he can to take care of the whole thing.

COMMISSIONER SCHOEN: Mr. Alger, I am not saying that the dealer is not trying to do the right thing, but we won't try to fool ourselves there.

MR. ALGER: No.

COMMISSIONER SCHOEN: If that milk can't be handled at the retail stores at the prices we have fixed, we ought to know about it and fix a price at the right place; but not have an edict go out and not have it observed.

MR. ALGER: I was going to say, in regard to putting the responsibility on the dealer, it seems to me it is rather drastic. This milk cannot be sold. It is a very serious thing.

COMMISSIONER SHEDRICK: You can't make a man sell stuff for less than a profit.

COMMISSIONER SCHOEN: I do not say you can.

COMMISSIONER SHEDRICK: He will simply stop selling it; he won't handle it.

COMMISSIONER WILLIAMS: Mr. Chairman, as has been repeatedly said, the Federal Milk Commission has no power to fix the prices of milk to the retail stores; but it would seem that the price made in the retail store is the reflected result of the work of this commission, and if the retail storekeeper charges an excessive profit on the sale, he can be reached in other ways.

THE CHAIRMAN: That is true.

COMMISSIONER WILLIAMS: But the starting point is the price made by this commission. My understanding was that he was to get his milk at ten and a half cents in cans and thirteen and a half cents in bottles, the Grade "B" milk, as the result of the decision of the commission. Now, it would seem to me - I merely give this as an impression; I do not mean to say it is based on any formal record of the commission - that any party to this agreement amongst the distributors who failed to put his milk out at those prices in the retail stores was breaking at least the spirit, if not the letter of the agreement; because our understanding was that the price of ten and a half cents in bulk and thirteen and a half cents in bottles should be the prices at which the retail

store could buy the milk from the distributors. Now, there may be some technical fault --

COMMISSIONER SHEDRICK: Is there any evidence that they have violated it?

COMMISSIONER WILLIAMS: There may be some technical fault in the decision but the clear intent of the decision was that the retailer should get his milk at that price.

MR. NATHANS: I am not advised that there are any instances in which it is not. This is the first I have heard of it.

COMMISSIONER WILLIAMS: There is evidence that the Sheffield Company is charging eleven cents, as I understand the evidence of yesterday, and fourteen cents to the retail storekeeper.

THE CHAIRMAN: I understand Mr. Horton is here, and we can soon get the matter in evidence.

COMMISSIONER MITCHELL: That notice does not say anything about buying at fourteen cents in the stores.

MR. NATHANS: It would not; it is a wholesale arrangement. This is a printed notice that goes out to their patrons.

COMMISSIONER SCHOEN: Of course, that girl that testified yesterday did not get this from the Sheffield Farms Company; she got it from the grocery men who told her that this was the price he was paying to the Sheffield Farms Company for milk. That is in violation of our order.

THE CHAIRMAN: I think when we get the evidence, it

will save a lot of discussion.

COMMISSIONER SCHOEN: It is simply to get the matter clear in the minds of the commission; that is all.

S H E P A R D R A R E S H I D E, called as a witness on behalf of the distributors, being first duly sworn, was examined and testified as follows:

QUESTIONS BY MR. ALGER:

Q Mr. Rareshide, what is your business? A I am assistant treasurer of the Borden Farm Products Company.

Q And have been such since its organization? A Yes, sir

Q And before that you were connected with the Borden's Condensed Milk Company, were you? A Yes, sir.

Q Have you produced here this morning records of your company showing the operations during the month of November in the Metropolitan district as defined at the last session, of the Borden Farm Products Company? A Yes, sir.

Q I wish you would take those papers, and in your own way, just give the commission the results of the November operations as you have it there.

A In the Metropolitan district, on our retail business during the month of November our company lost \$64,000.00 In these losses are not included any charges for taxes or interest.

THE CHAIRMAN: Please be specific. The loss from the milk business alone?

THE WITNESS: Yes, fluid milk business in the Metropolitan District.

THE CHAIRMAN: Fluid milk?

THE WITNESS: Retail. The exact amount being \$64,088.21. In the Metropolitan district in the wholesale branch of our business we lost \$73,593.63.

Q That represents how much business done in these two branches, Mr. Pareshide? A The gross sales in the retail end during the month of November was \$1,513,000.00 The gross sales in the wholesale end of the business during that month was \$777,000.00

Q Have you figured out the per quart loss? A Yes, sir, on Grade "B", pasteurized milk, the loss per quart --

Q (Interrupting) That is bottled milk? A That is bottled milk.

Q Sold at retail? A Sold at retail. The loss per quart was 1.18 cents. The loss per quart on wholesale was 1.11 cents.

Q Now, that wholesale is all loose milk, or is it some bottled milk sold at wholesale? A There is a small part of the bottled milk in that figure.

Q Well, can you tell us -- have you got the bottled milk sold at wholesale separate from the dipped milk? A No, sir.

Q Sold at wholesale? A No, sir; but I might state that the bottled milk sold at wholesale is a vrry small factor.

It would not represent three per cent of our total business.

Q Yes. And, in reaching these figures you have followed the cost accounting system which we had developed at the preceding hearing in last month? A Yes, sir.

Q And the various items of cost throughout have been segregated in the same fashion and apportioned? A Yes, sir.

COMMISSIONER WILLIAMS: Have you the average price paid to the farmer in these figures?

THE WITNESS: Not in these figures, Mr. Williams.

COMMISSIONER WILLIAMS: Is it given in this report?

THE WITNESS: I think it is in that report.

COMMISSIONER WILLIAMS: About eight cents, wasn't it?

THE WITNESS: I do not recall.

MR. ALGER: No.

THE WITNESS: I think it was. It was about eight cents, Mr. Williams, I believe.

MR. MILLER: It was \$3.34 a hundred for three per cent. milk.

MR. ALGER: Well, we do not have any three per cent. milk, so that does not do much good.

MR. MILLER: Well, the average per cent. of fat is in evidence, I think.

MR. NATHANS: Nine and a half cents.

MR. ALGER: That is sales.

THE WITNESS: It was approximately eight cents a

COMMISSIONER WILLIAMS: It appears to have been _____
about seven.

MR. NATHANS: Eight.081 cents.

COMMISSIONER WILLIAMS: Here are the figures
on the cost of city bottled Grade "B" milk, retail, November,
1917; 3,476,761 quarts, cost \$275,498.54, an average per
quart of 7.924 cents, practically eight cents.

MR. ALGER: The figures given on the second sheet,
Mr. Williams, the top righthand corner, show that Borden's
Farm Products Company had payment per quart as indicated by
Mr. Nathans a minute ago.

MR. NATHANS: 8.081 cents.

COMMISSIONER WILLIAMS: I think you are looking at
the Sheffield Farms.

MR. ALGER: No, I am looking at the Borden's.

MR. NATHANS: This is wholesale now we are
talking about.

MR. ALGER: You pay the same for your wholesale
and retail milk, don't you, Mr. Rareshide? It makes no differ-
ence whether it is wholesale or retail milk?

THE WITNESS: It makes no difference at all.

COMMISSIONER WILLIAMS: There seems to be a little
difference between the wholesale and retail.

THE WITNESS: Yes, there would be. It depends on
the location in which it is bought, you know.

COMMISSIONER WILLIAMS: The wholesale figure is

slightly more. It is given as 8.081; but is a very small quantity of milk; it is 301,260 quarts. The difference is not great.

THE WITNESS: Mr. Williams, if you are endeavoring to find out the price of milk to the producer, what we sell wholesale and what we sell retail, those prices will vary according to the location in which we receive the milk.

COMMISSIONER WILLIAMS: No; I was just getting an approximate figure in my mind as to what you are paying the farmer.

MR. ALGER: Are there any other facts in your record Mr. Rareshide, that you wish to give the commission?

THE WITNESS: Well, that is all we have relating to the volume of our business in November and the operating results of our business in that month.

MR. ALGER: The total loss for the Metropolitan district was how much?

THE WITNESS: The total loss in the Metropolitan district was \$137,681.84.

COMMISSIONER SHEDRICK: On a total volume of how much business, Mr. Rareshide?

THE WITNESS: The total sales was \$2,291,296.10.

COMMISSIONER FULLER: Do those figures all apply to the month of November?

THE WITNESS: Yes, sir.

COMMISSIONER FULLER: Have you any figures on the

December?

THE WITNESS: No; they have not been compelled yet.

COMMISSIONER FULLER: So the month of December you have a decrease in the price to the producer of 24 cents?

THE WITNESS: That is true. Now, our loss per quart for November was one cent, over one cent.

COMMISSIONER FULLER: About a half cent reduction.

THE WITNESS: Yes.

MR. ALGER: Mr. Rareshide, after the commission's ruling was made, when did the Borden's Farm Products Company - was it able to get out its milk to the consumers at the increased price?

THE WITNESS: We were not able to get the notices out until the morning of January 5th.

MR. ALGER: To take effect when?

THE WITNESS: To take effect that morning.

MR. ALGER: I see. So that up to January 5th you had no advantage of the theoretical increase in price?

THE WITNESS: No, sir.

MR. ALGER: And since that regulation was made, have you complied - has your company complied with the requirements of the prices named by the Federal Food Administration?

THE WITNESS: Yes, sir.

MR. ALGER: As far as your information is concerned, throughout your whole business.

December?

THE WITNESS: No; they have not been compelled yet.

COMMISSIONER FULLER: So the month of December you have a decrease in the price to the producer of 24 cents?

THE WITNESS: That is true. Now, our loss per quart for November was one cent, over one cent.

COMMISSIONER FULLER: About a half cent reduction.

THE WITNESS: Yes.

MR. ALGER: Mr. Rareshide, after the commission's ruling was made, when did the Borden's Farm Products Company - was it able to get out its milk to the consumers at the increased price?

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MR. ALGER: As far as your information is concerned, throughout your whole business.

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: Mr. Alger?

MR. ALGER: Yes.

COMMISSIONER WILLIAMS: I understand that we have a figure of about \$2,000,000.00 gross business for the month of November, but the exhibit here for the Borden's Farm Products Company apparently does not amount to anywhere near that amount of business. What is the explanation?

MR. ALGER: The sheet that you have before you is the wholesale business only.

COMMISSIONER WILLIAMS: No, this says wholesale and retail groups in Greater New York during the month of November.

THE WITNESS: That is bottled milk; and we are talking about canned milk.

COMMISSIONER WILLIAMS: Oh, the other figure includes --

THE WITNESS: Was canned milk only.

MR. ALGER: One question I ought to have asked you. You not only - you raised the consumer beginning on the morning of the 5th; your price to the consumer was raised on the morning of the 5th?

THE WITNESS: Yes, sir.

MR. ALGER: Your price was raised to the farmer when?

THE WITNESS: On January 1st.

MR. ALGER: Yes.

THE CHAIRMAN: May I ask what the reason was? Why

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the operation was not uniform in regard to the producer and the consumer?

MR. ALGER: Why, largely because the commission fixed a price which the farmer was to get beginning January 1st, but the consumer has got to have some notice. The consumer has got to have a notice before he is bound by any change in prices.

THE CHAIRMAN: Is that under contract or understanding?

MR. ALGER: Why, I think I would feel that way if I were a consumer. If you sent me a bill and dated it back a month ago and said, "Your price was increased beginning last month," I would be rather indignant.

THE WITNESS: Particularly a wholesale customer.

MR. ALGER: That involved, I presume, Mr. Rareshide, a very considerable extent of loss during those days?

THE WITNESS: It did.

MR. ALGER: Have you made any compilation of what that loss would amount to, or is it rather difficult to tell?

THE WITNESS: We made an estimate of what we suffered during those days.

MR. ALGER: Yes, for that cause only?

THE WITNESS: Yes, sir. We estimated it cost us about \$3,000.00 a day.

COMMISSIONER WILLIAMS: Mr. Chairman, what the distributors did in effect was to carry the loss for several days as between the new price to the farmers and to themselves;

and I feel, for one member of this commission, it was a very fair thing for the distributors to do, very much in their favor, in their treatment of the public.

COMMISSIONER SCHOEN: Mr. Williams, I quite agree with you on that; but let us wait till the cycle is completed. Perhaps when there is a reduction in price the consumers won't get the advantage until the sixth day after the beginning of the month there.

MR. ALGER: Mr. Commissioner, though newspapers are now two cents, the people still read them.

COMMISSIONER SCHOEN: That is not the answer to my question.

COMMISSIONER SHEDRICK: As one commissioner, I will be in favor of it being done that way. That is justice.

COMMISSIONER SCHOEN: Certainly; that is right.

MR. ALGER: That is all.

COMMISSIONER FULLER: Do you charge the same price to the consumers in all of the cities of the State?

THE WITNESS: I think we do.

COMMISSIONER FULLER: And that is based on the price that the Federal Commission made? In other words, your notices sent to your consumers are the same as your notices sent to your consumers in Utica?

THE WITNESS: Yes, sir.

COMMISSIONER FULLER: In your compilations of your figures presented here, do you include your outside

cities, outside of New York and the Metropolitan district?

THE WITNESS: No, the figures that I read covered the Metropolitan district only.

COMMISSIONER FULLER: So that if you happen to be more advantageously situated, for instance, in Utica, in obtaining your milk and distributing it, you made a profit. You do not offset that profit against any loss you made by distributing your milk in New York?

THE WITNESS: No, sir, the figures I read are for the Metropolitan district only.

COMMISSIONER FULLER: Now, have you any figures on that proposition?

THE WITNESS: On the up-State?

COMMISSIONER FULLER: Yes.

THE WITNESS: Yes, sir.

COMMISSIONER FULLER: Have you got them with you?

THE WITNESS: Yes, sir.

COMMISSIONER SHEDRICK: Mr. Chairman, can we properly consider those?

COMMISSIONER FULLER: Well, I propose to make a motion to this commission before we get through, that we investigate the price paid by consumers in other cities than the City of New York.

COMMISSIONER SHEDRICK: Well, then, wouldn't it be proper, Mr. Fuller, to consider, after that motion has been passed, any such information?

COMMISSIONER FULLER: I am not in any hurry about it; I just want to get the facts.

COMMISSIONER SHEDRICK: I think it would be better. We want to get that in our records.

MR. ALGER: Are there any other questions that the commission have to ask Mr. Rareshide?

COMMISSIONER SCHOEN: Did you get that information, Mr. Alger, from Mr. Horton about the 9-cent price?

MR. ALGER: I am going to put Mr. Horton on the stand, and he will give you all the information you want.

COMMISSIONER SCHOEN: All right; thank you.

COMMISSIONER SHEDRICK: Mr. Rareshide, while we are waiting; do you know of any way that your company can compel a grocery store or any place where your milk is resold to adhere to the edict or price named by this commission, except to shut off the milk?

THE WITNESS: That is the only way I know of.

COMMISSIONER SHEDRICK: To shut the milk off?

THE WITNESS: Yes.

MR. MILLER: Mr. Chairman, there is a matter that is somewhat foreign to the subject now being considered; but there is a gentleman present here who has been investigating labor conditions in the farming section. I happened to meet him last evening, and he requested the commission to bring something before this commission in

relation to it. I think it will be very profitable at any time that the commission wish to hear him.

COMMISSIONER DOW: It is a very proper thing. I think Mr. Williams would like to ask the witness some questions

COMMISSIONER WILLIAMS: Mr. Chairman, I direct the witness' attention to - I think it is the fourth page of the exhibit; the heading is "Cost of City Bottled Grade "B" Milk, Wholesale, for November, 1917."

MR. ALGER: What exhibit is this?

COMMISSIONER WILLIAMS: The exhibit submitted this morning, of milk for the month of December, Sheffield Farms, Empire State and the Borden companies. You have no knowledge as to the facts in reference to the Empire State Dairy, have you?

THE WITNESS: No, sir.

COMMISSIONER WILLIAMS: But the Borden Company - the total cost, this is wholesale service which I understand represents the supply of bottled milk to the retail store - am I right in that understanding?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: The total cost given there is, "Costs up to delivery \$1.0343, about ten and a third cents a quart.

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: Up to delivery. The added cost given is \$.02442 for the cost of delivery, making a total

cost for that service of \$.12785 per quart. Now, I draw your attention to the corresponding figure of the Empire State company, showing that while the cost of milk to delivery is \$.10236, very close to the former figure, the delivery cost is \$.01563, a little over one and one-half cents. Can you give me a reason why there should be so much difference in the delivery costs of the Borden Company's service whole-sale?

THE WITNESS: Possibly on account of the Borden Company delivering over a wider area than the Empire State. I think you will find that the Empire State's business is confined to one district, whereas the Borden's is spread over the entire city.

COMMISSIONER WILLIAMS: Well, the 301,000 quarts delivered by the Borden company through the month of November covered the Greater City of New York?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: And the 238,000 quarts of the Empire State company covers what section? Do you happen to know?

THE WITNESS: I think principally Brooklyn.

COMMISSIONER WILLIAMS: Nothing in Manhattan?

THE WITNESS: I do not think so.

COMMISSIONER WILLIAMS: Then you think that the difference of a cent, almost a cent, is due to the greater congestion?

THE WITNESS: I think the reason the Borden's delivery cost is higher, is on account of its business being spread over the entire city.

COMMISSIONER SCHOEN: Mr. Williams, I call your attention to the first item under cost of delivery, branch operating and maintenance expenses on the part of the Empire company, which is only \$207.00, and on the part of the Borden company it is \$6,630.00, a difference of about 2 cents on each quart.

COMMISSIONER WILLIAMS: 2 cents and 2 mills in itself.

COMMISSIONER SCHOEN: Yes.

THE WITNESS: I think you will have to brackett those first two items if you want to get a fair comparison.

COMMISSIONER SCHOEN: Even at that, you find over a cent difference. Why should the Borden's maintenance operating charges be so much greater than the Empire's?

MR. ALGER: How well organized have you got your wholesale business? You are developing a new business there, aren't you?

THE WITNESS: Yes. Mr. Williams, possibly this might help you a little bit on that. This store bottled business is a new business for the Borden company, and we are developing that business; so possibly --

COMMISSIONER WILLIAMS: (Interrupting) Do you

suppose you are as fully developed as you hope to develop, so that the density of the service equals that, generally speaking, of the city as a whole of the Empire company; that the average cost of delivery would fall as low as the Empire company's delivery cost?

THE WITNESS: There would be a decrease in the delivery cost, yes, sir.

COMMISSIONER WILLIAMS: A substantial decrease?

THE WITNESS: I do not know.

COMMISSIONER FULLER: Do you think the consumer should pay that experimentation?

THE WITNESS: Sir?

COMMISSIONER FULLER: Do you think the consumer ought to pay the cost of that experiment?

THE WITNESS: Yes, I think in any development work, that the public will have to pay it, not only the milk business, but any line.

MR. ALGER: May I just -- if you are through, Mr. Rareshide, I would like to have Mr. Roberts make the explanation that you want as to those figures. He segregated those figures. Mr. Roberts, you just make those explanations from your segregation of those figures.

MR. ROBERTS: It is impossible to compare the details accurately, on account of the different systems of cost-keeping. The Borden company charge in depreciation to each operation, while on the Empire State figures deprecia-

tion is put in as a separate item here. ~~Shrinkage also~~ in the Borden figures is included in the expense of each operation, the amount of shrinkage that occurs in each operation is taken up there, while for the Empire State it is shown separately.

MR. ALGER: So that a fair method of comparison, Mr. Roberts, might be arrived at by adding together some of these items of the Empire State, which are separately stated, in comparison with the Borden items.

MR. ROBERTS: The only comparison that is anywhere near fair is to take the total cost of delivery and compare that. To get out further details would involve a great mass of labor.

THE CHAIRMAN: Have you a question, Mr. Miller?

MR. MILLER: Just one question of the witness. Mr. Bareshide, if it be conceded that the expense of the development of the business should be charged to the consumer, would you say that that should be charged as a current expense and not charged as a stock investment?

THE WITNESS: What I mean by my answer, Mr. Miller, that all concerns are in business for profit, and if there is any development work going on it will be charged against their profits; and the only way the concern has to get the profits is by selling their goods at the price which will then yield profits.

MR. MILLER: Yes, but I take it that you know as a fact that in many lines of business the expense of developing

the business is charged as an expense against the capital and not as a current expense. Am I correct as to that?

THE WITNESS: You are correct as to that, Mr. Miller.

MR. MILLER: Then why would you suggest that any different rule should be applied in the development of the wholesale branch of your company?

THE WITNESS: I will try to explain that this way: When we have developed in various sections of the State where we have gone into a new territory, that cost of development has been charged right against our surplus account, did not get into the cost of operations. In this particular store bottled business, the Borden company several months ago purchased some wholesale companies. They had an established business, not very large. So this development work on the store bottled, has been going on for some time.

MR. ALGER: Do you have a separate store bottle for that business?

THE WITNESS: Yes, sir.

MR. ALGER: That is, you do not use the ordinary delivery bottles that you find at the doorsteps in connection with that?

THE WITNESS: No; we use a special bottle.

MR. ALGER: What is your reason for that, Mr. Rare-
abide?

THE WITNESS: Because we charge a deposit on our store bottle business.

MR. ALGER: And if you charge a deposit, you must make sure that the bottle you get back is a bottle on which a deposit — which had been originally delivered for the same class?

THE WITNESS: That is the reason.

MR. ALGER: Any other method of doing business is a form of business suicide, isn't it?

THE WITNESS: Yes, sir.

MR. ALGER: From results obtained from companies that have committed suicide?

THE WITNESS: That has been the experience of other companies that have done that kind of business.

MR. ALGER: That absolutely requires the development of a separate store bottle?

THE WITNESS: Yes, sir.

THE CHAIRMAN: Any further questions, Mr. Miller?

MR. MILLER: No, sir.

COMMISSIONER WILLIAMS: You have a separate bottle?

THE WITNESS: Yes, sir, we have a separate store bottle.

COMMISSIONER WILLIAMS: Has the Empire company a separate store bottle, too?

THE WITNESS: I don't know, Mr. Williams.

THE CHAIRMAN: Anything further, Mr. Alger, from this witness?

MR. ALGER: I think there was another question I

wanted to ask him. A company which did not have a special store bottle, would find it entirely impracticable to charge a deposit, wouldn't they?

THE WITNESS: I think they would, Mr. Alger.

MR. ALGER: It would simply result in the regular bottles being handed back, no matter where obtained, and recovering five cents on it?

THE WITNESS: Yes, sir.

MR. ALGER: That is all.

H A R R Y A. C R O N K, called as a witness, being first duly sworn, was examined and testified as follows:

QUESTIONS BY MR. ALGER:

Q Mr. Cronk, you are connected with the Borden's Farm Products Company and have what is known as the country end of the business under your charge, have you not?

A Yes, sir, the production.

Q I wanted to have you come here today and tell us something about the effect of the increased price to the consumer upon the development of surplus during this past month, so far as your records would go. Have you some statement you wish to make on that score, some figures to give us?

A Yes, I have prepared a statement, Mr. Alger, in brief. That is quite a lengthy subject, and I have tried to --

Q (Interrupting) Make it as short as you can, and give as much explanation as you can give.

THE CHAIRMAN: The statement will be filed?

MR. ALGER: Well, I do not know whether it will be filed or not. He can probably do it better orally, with the aid of this.

THE WITNESS: Just to review - in reference to the Borden's Farm Products Company receipts of milk for the first fifteen days in January, 1918, as compared with the same period of 1917, we find that we have at the present time a surplus of approximately 4,000 cans per day over the same period a year ago. This surplus is no doubt caused by two important factors; first, the fact that under the status quo arrangements which were agreed upon at Washington, we were not permitted to curtail our purchases as we had been before. During the period of January that made us hold all the purchases we had at the time that this arrangement went into effect. Therefore, we were obliged to continue purchasing milk from dairies that we found to be actually not needed in the conduct of our business during the period of fifteen days.

Q Of course, that had no relation to the Federal Milk Commission; that is outside the Federal Milk Commission?

A That is it, outside the Federal Milk Commission. And second, that from the Commission's previous rulings and findings which caused milk to be advanced to a price where there was a decided loss in sales, which from observations indicate a loss of approximately 20 per cent. of this business on Grade "A" milk and a loss in Grade "B" in the way of pints of about 30 to 50

per cent. on pint business; but in Grade "B" quarts there was a small loss, a very small loss. We have ^{not} been able to get that we are working so close since January 6th. But the bulk milk delivered to stores indicated in some instance, an increase, showing that some of the trade had evidently gone to bulk milk.

Q That is, those that had been previously taking bottled milk at your retail deliveries? A Yes.

Q Cutting down the efficiency of your retail delivery wagons to that extent, I suppose? A Yes. Now, that surplus, we were obliged to make sale of to the best of our ability to manufacturing concerns, any one that would take the milk, relieve us of the dangers of manufacturing it ourselves, and the condition coming the first days for the period mentioned, that is, the first fifteen days in January, indicates to us that we will be obliged to ask for some consideration on this surplus question.

Q Well, that is another matter. I am just getting the facts now. A Now, while the total purchase of milk is approximately twenty-eight per cent. greater in these corresponding fifteen days than they were of 1917, indications are that the milk used will only approximate ten per cent. greater. Now, those figures come out in that form for the reason that we added this new business which Mr. Rareside mentioned, taking on these new businesses they added increased sales to our columns, and in making comparative figures that

is the way it shows up. Out of all of that business we have only got about a 10 per cent. increase left; that is, you might say that the losses that have occurred -

Q (Interrupted) I do not quite understand you. What ten per cent. are you referring to there, Mr. Cronk? A On the milk used.

Q Yes. A As against about twenty-eight per cent. of the milk received. Of course, we took over the production of these farms as well as the sales, and we find ourselves in that condition.

THE CHAIRMAN: In other words, you bought twenty-eight per cent. more milk and have had an increase of not more than ten per cent. in consumption?

THE WITNESS: Yes, with that new business caused by the addition of that new business.

COMMISSIONER WILLIAMS: What new business was that?

THE WITNESS: That is the Central Dairy and the Stevens' branches which we added.

COMMISSIONER WILLIAMS: Then your twenty-eight per cent. includes their former purchases?

THE WITNESS: Their former purchases, their production came right over and their sales.

COMMISSIONER WILLIAMS: How much of that twenty-eight per cent. is represented by their former purchases?

THE WITNESS: I have not got them segregated.

COMMISSIONER WILLIAMS: Then that comparison

really is worthless.

THE WITNESS: Not as a whole. Their business was added.

MR. ALGER: I do not think so.

COMMISSIONER WILLIAMS: Why can't ^{we} get the entire comparison?

THE WITNESS: I presume you can, Mr. Williams, but as I stated before with only a few days in January it is quite difficult to segregate such a mass of figures.

COMMISSIONER WILLIAMS: Is it not true, Mr. Chairman, that a part of these 4,000 cans of daily accumulation now in the hands of the Borden company form a part of any accumulation that these other companies may have had a year ago?

THE WITNESS: Forms a part?

COMMISSIONER WILLIAMS: Yes.

THE WITNESS: No doubt there is a part there.

COMMISSIONER WILLIAMS: In other words, I say, isn't that comparison really a worthless comparison?

MR. ALGER: You have got a comparison, Mr. Cronk?

THE WITNESS: The increase in surplus over last year is something like thirty per cent.

COMMISSIONER WILLIAMS: The increase in surplus?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: Speaking of your company as a whole?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: But how much of that is due to milk formerly purchased by the other companies?

THE WITNESS: That I have not been able to segregate. I just give you this received.

COMMISSIONER WILLIAMS: Then I understand it, this is a comparison of the Borden company alone with two or three other companies on the same period last year; and you have no offset figures in that comparison.

THE WITNESS: This is a comparison of our whole business, but it is taking in totals which come to us from those businesses. One figure is just as much a credit as a deficit; in other words, we took sales and production from those other concerns, which would equal, no doubt, what ours were at that time; but since that time we have on our hands a surplus of twenty-eight per cent. and an increase of only ten per cent. in sales with all that additional business.

COMMISSIONER MITCHELL: Have you taken into account the surplus of the year ago?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: The other companies, what were they?

THE WITNESS: The R. F. Stevens company, and the Central Dairy Branch.

COMMISSIONER WILLIAMS: What surplus did they have a year ago?

THE WITNESS: They practically had none. Their

buying was right close to their needs.

COMMISSIONER WILLIAMS: A year ago?

THE WITNESS: Yes, the same as ourselves.

MR. ALGER: A January surplus is not an ordinary event, is it?

THE WITNESS: Oh, no. I can clear that, as I go through, a little, Mr. Williams, a little better.

MR. ALGER: I think you see, Mr. Williams, that a comparison is made including the aggregate surplus of Borden's and these other companies between 1917 and 1918. The comparison is fair so far as it goes, on that basis.

THE WITNESS: Let me add, Mr. Williams -- I might say, Mr. Chairman, that in the month of November or in October, we made adjustments by the closing down of factories, closing down 42 plants. Those adjustments were to relieve us of the surplus. Now, we estimated as near as we could what our sales would be, with the conduct of our business at that time. We found as we entered November that our estimate was a little too close to be conservative; in other words, we were running close to not having sufficient milk from the number of dairies to supply our needs. Therefore, in the month of November we reopened gradually several of those places to give us needed relief and plenty of milk for all the trade conditions.

THE CHAIRMAN: What was the last date at which you opened?

THE WITNESS: The last what?

THE CHAIRMAN: Date at which you opened.

THE WITNESS: Why, we have opened them gradually, right straight along, as the situation demanded. For instance, we have a station north that - why, I can mention one at Sterlingville for illustration. At Sterlingville we were requested to receive the milk from the dairymen where the plant had been closed. They were found to be without a market. They had no market for it. We added Sterlingville to our list for the reason that we could take Sterlingville and ship it into New York with a minus ferriage and lighterage charge; and therefore send to a manufacturing plant or sold to a manufacturing plant milk from another zone which was not quite so favorable. That was our reason for it, to lower the cost of the milk which we were purchasing.

THE CHAIRMAN: Did you open any plants in January?

THE WITNESS: January; I do not know of any opened in January. There may be one or two stations that were under consideration, but I can't say. But, in each case where they were opened, they were opened for the purpose of giving us a cheaper milk than that which we were already buying, and allowing us to divert this surplus to other channels. May I picture to your minds the existence of only a limited number of manufacturing plants throughout the State of New York. We having a surplus of 4,000 cans, cannot shut down one plant right

after another on a line to ship to this manufacturing point, because they are vital shipping points to our consuming public here. Therefore, we have to take one here and one there, and in each instance we are compelled to ship to that firm the cheapest milk that we can, because we are unable to make a sale if we do not. In other words, we have a factory with a 30-cent freight rate; when we sell this milk to this manufacturing concern, we could not do it because they are limited on their products by the Government; and therefore we are only able to ship from certain points. As our surplus increases, it narrows us down to the number of places at which we can turn milk over for manufacturing purposes. I have tried to clear that point of opening plants in that way. Now, in the reopening of these places, where I left off there, we found that all at once another rise in price of milk here caused a further reduction in sales; and I believe that is the important factor in creating the surplus which we have existant, together with a slight increase of production from the dairies. We have an increase this week over last week of approximately five pounds per dairy, showing that the dairies are on the increase.

MR. ALGER: Well, let us see what your figures are, by way of comparison of increased production in January over the production of January, 1917, if you have those figures.

THE WITNESS: I have not got them up to January on this same period, Mr. Alger, as I can't get them in. I can give you a couple of weeks prior, back of that.

MR. ALGER: Well, I am just getting a comparison, Mr. Cronk, on the basis of January prices.

THE WITNESS: The method of comparison.

MR. ALGER: Yes.

THE WITNESS: Well, I can't give you that identically because those figures are not in.

MR. ALGER: Well, I am getting at the point of to what extent this increase of price to the farmers has already gone to stimulate production.

THE WITNESS: Well, as I stated, it is approximately five pounds per dairy now. Just what effect that has had I can't say. Whether it is all in the prices or in natural production.

MR. ALGER: Yes.

THE WITNESS: But taking it on the whole, we are increasing right straight along every week. It shows an increase and will continue to show one, according to all past years' performances.

COMMISSIONER MITCHELL: A surplus?

THE WITNESS: Yes. It will continue to increase. Now, if there is not something to take care of it, in the way of increased sales, why, it becomes just a burden that has got to be taken into consideration, as I said.

COMMISSIONER WILLIAMS: Is that due to an increase in shipments by the farmers, or decreased in consumption by

the consumers?

THE WITNESS: Both. These effects I am covering, but from now on, Mr. Williams, there will be, regardless of any effect on sales, there will be a continued increase of this from the farmers.

COMMISSIONER WILLIAMS: This increase is 140,000 quarts a day? 160,000 quarts a day?

THE WITNESS: I do not --

COMMISSIONER WILLIAMS: 4,000 of 40,000 quarts.

THE WITNESS: That is the way, yes, sir; that is 4,000 cans; approximately 4,000 cans. I think it is 4,090 cans.

COMMISSIONER MITCHELL: That is not increase of purchases; it is increase of surplus?

THE WITNESS: Surplus. At prior years we have not been trouble by it at this time because prices have not been a factor in retarding our sales; therefore we would only expect that average, as I say, of 5 pounds per dairy increase, which with the scope of the purchases could be handled. But now it is getting rather what may be termed unruly.

COMMISSIONER WILLIAMS: Does all that milk come into New York City?

THE WITNESS: No, it is held back. That surplus does not come in. We only ship in the needs of our purchases.

COMMISSIONER WILLIAMS: This stays back in the country and is made into butter and cheese?

THE WITNESS: No, sir, we could not make it into butter and cheese and be here to look you in the face if we tried. So we sell it to manufacturing condensories; the only outlet that exists at the present time.

COMMISSIONER WILLIAMS: It goes into condensed milk?

THE WITNESS: , Goes into condensed milk.

COMMISSIONER WILLIAMS: It is not thrown away?

THE WITNESS: There is no butter and cheese made unless a salvage, where it is about to spoil.

COMMISSIONER FULLER: Mr. Cronk, your surplus now, compares how with, say, the 26th of December?

THE WITNESS: I have not got it just in that -- we have got approximately -- well, thirty-three per cent. greater increase over a year ago this period which I mentioned.

COMMISSIONER FULLER: Can you give us some idea about, for instance, when you are buying milk at \$3.10 in December, how did your surplus compare with your surplus at the present time per day?

THE WITNESS: I could get that; I have not got it here handy. We have a weekly sheet showing the receipts.

COMMISSIONER FULLER: Can you give us that?

THE WITNESS: Yes, sir.

COMMISSIONER FULLER: I understand your surplus was around better than 3,000 cans a day; is that true?

THE WITNESS: Better than 3,000?

COMMISSIONER FULLER: Yes.

THE WITNESS: At that time?

COMMISSIONER FULLER: Yes.

THE WITNESS: I think something like thirty-eight hundred to thirty-nine hundred.

COMMISSIONER FULLER: You say now it is about 4,000?

THE WITNESS: About 4,000 during all this period, Mr. Fuller; that is, the period from really the 5th or 6th of January; it was rather difficult to know just what was required by the trade, owing to the reaction on sales. We were really guessing for a period of time until we could find the actual sales. The route men started out; he did not know what the trade was going to do.

COMMISSIONER FULLER: What I wanted to get in mind was how much that change in price had increased your surplus over last month.

THE WITNESS: We can tell that in a little time, and we are working too close now to give you good actual figures on it.

MR. ALGER: You anticipate a considerable increase in surplus due to this price?

THE WITNESS: Oh, yes; there is no question about it.

MR. ALGER: Just a question of accounting, that is all?

THE WITNESS: Yes, sir.

COMMISSIONER SCHOEN: Mr. Cronk, you said a moment

to Mr. Fuller that your surplus during December was somewhere in the neighborhood of 3800 cans a day, and you say that now in January it is about 4,000 cans?

THE WITNESS: Yes.

COMMISSIONER SCHOEN: Which would make a difference approximately, of 200 cans between December and January?

THE WITNESS: Yes.

COMMISSIONER SCHOEN: The volume of milk that came in here is approximately the same in January, if anything a little bit higher than the volume of milk that came in December; and therefore there is no change, as far as I can see, and no change in the surplus situation.

THE WITNESS: I think there is, Mr. Schoen, when the actual figures of sales are brought out to indicate just that period. Now, in Mr. Fuller's 3800 I am not just fully informed as to that period which he mentioned, but the amount of 3800 is about correct.

COMMISSIONER FULLER: What I asked Mr. Cronk was this: I understood that about the 26th day of December, perhaps the 27th, that you then had a surplus of 3900 cans a day; and you speak now of having 4,000 cans a day.

THE WITNESS: Yes.

COMMISSIONER FULLER: I just wanted to straighten that out in my own mind, as to whether that was simply an increase of 100 cans a day.

THE WITNESS: I think that perhaps while the surplus at that time may not have been compared to sales, like we are comparing now-- I do not know as to that.

COMMISSIONER FULLER: How would it affect your surplus, decrease it or increase it? The holiday season?

THE WITNESS: Right before Christmas there is usually pretty good sales, but directly following there is a reaction. It would no doubt be a reaction point, just the time you mention.

COMMISSIONER FULLER: When you give us the figures, Mr. Cronk, will you give us a few days before Christmas and a few days after?

THE WITNESS: Yes, I can give you the average right straight through the week, in the same comparative weeks, of a year ago.

COMMISSIONER FULLER: Do not compare it with a year ago, but compare the weeks in December with the weeks in January.

MR ALGER: At the same time, I think that comparison with a year ago, is significant and important.

THE WITNESS: It covers it both ways.

MR ALGER: Of course, you have got the effect of volume in surplus, and when you get the increase in price to the farmer, it makes a considerable difference there that you are not attempting to cover.

THE WITNESS: No.

COMMISSIONER Fuller: I think we ought to have all the information for the purpose of studying the situation.

MR ALGER: Yes.

COMMISSIONER SCHEDRICK: Mr. Cronk, can you tell the Commission whether you are receiving more milk at these stations from the same dairies than you did a year ago, as a general proposition?

THE WITNESS: I can't say just now on this period, but I think the milk is less from the same given number of dairies, perhaps, than it was a year ago,— a little less. There is a little change in lactation which takes place almost every year, it carries about a week to 10 days back; in other words, making comparison with a year ago, in the natural forms of production, you can count on just a week or ten days variation for the lactation period, which changes. In other words, we would be back this year a week later. There is a tendency to swing around, and that is due to the condition of dairies further away than have ^{not} been intensified for this fluid milk

market, that have been added, and yet not fully qualified for the regular flow of milk.

COMMISSIONER FULLER: Just one other question along that line, Mr. Cronk. Can you give us at the same time, approximately your flow of milk from your different herds, in comparison with a year ago, and now. The point is this: I would like to study that situation from the point of the high cost of feed as to how much that has affected the production. In other words, my practical experience leads me to believe that a great many herds are in poor condition at this time of the year, due to the fact that during the dry period feeds have been so high that the farmers have not been feeding, and that now, when they come into the period of lactation, that their production is very much decreased. I did not know whether you had any figures to show that.

THE WITNESS: Not from herds, Mr. Fuller. We have from dairies which complete an average, you know, at the plant.

COMMISSIONER FULLER: Yes.

THE WITNESS: Individual herds we cannot follow out.

COMMISSIONER FULLER: Well, can you give us some information along that line at the plant?

THE WITNESS: : Yes, I can give you just what you want there. I might say that on production figures, I would be glad to go into it and get you all interested in

that part of it, because I believe if this Commission intends to cover the cycle of production that it is necessary for you to know just about what is ahead of you.

COMMISSIONER FULLER: That is just what is in my mind, and I think you have the means of helping us quite materially in that.

THE WITNESS: We have also this surplus of Grade A milk referred to at this time, which has become quite a factor, and will be; and we have had a very decided reaction on the sales of Grade A milk, which will make it necessary for us to stop purchasing, fully 50 per cent of which we have covered heretofore.

COMMISSIONER WILLIAMS: What do you attribute that to.

THE WITNESS: To the price.

COMMISSIONER WILLIAMS: Increase in the price?

THE WITNESS: Increase in the price. Just the minute this went up, we were just—

COMMISSIONER WILLIAMS: (Interrupting) Wouldn't it be better for you to stop purchases or reduce your price? What are you charging for Grade A Milk?

THE WITNESS: 17 cents, I think it is.

COMMISSIONER WILLIAMS: Well, you pay 8 cents for it, don't you, 8.2 cents?

THE WITNESS: Oh, we pay more than that.

COMMISSIONER WILLIAMS: How much do you pay?

THE WITNESS: We pay a premium on there for the production.

COMMISSIONER WILLIAMS: How much is the premium?

COMMISSIONER FULLER: It runs pretty close to 10 cents, doesn't it?

THE WITNESS: What?

COMMISSIONER FULLER: It runs pretty close to 10 cents?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: What do you say you charge for it?

THE WITNESS: Sales price here?

COMMISSIONER WILLIAMS: Yes.

THE WITNESS: 17 cents. That was the Commission's price.

COMMISSIONER WILLIAMS: It might occur to you to decrease your price and increase your sales, rather than--

MR ALGER: (Interrupting) Which is a different method of committing suicide.

THE WITNESS: Yes.

COMMISSIONER FULLER: There is where I think the distributor gets the worse of the Grade A proposition. In other words, you have to equip your herd with quite an expense to make Grade A Milk. Now, if you get a surplus of Grade A milk, there isn't any alternative for you except to sell the Grade A milk at Grade B prices. That

is what it amounts to in the final analysis.

THE WITNESS: That is what it amounts to, unless you are able to—

COMMISSIONER FULLER: (Interrupting) So the extra equipment is an extra load on your hands?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: Isn't Grade B just as good as Grade A?

THE WITNESS: Oh, no.

COMMISSIONER WILLIAMS: I mean for all practical purposes?

THE WITNESS: I would not say that.

COMMISSIONER FULLER: For instance, if we had time to go into that, for Grade A, your cows must be tuberculosis tested.

COMMISSIONER SCHEDRICK: You are speaking of Grade A? pasteurized?

COMMISSIONER FULLER: Grade A raw.

COMMISSIONER SCHEDRICK: How much Grade A do you sell?

THE WITNESS: Mr. Muller is right; Grade A raw milk has got to have tubercular tests.

COMMISSIONER FULLER: That is where your losses come.

THE WITNESS: Yes.

COMMISSIONER SCHEN: You do not have to have Grade A

pasteurized to be coulor tested?

THE WITNESS: No.

COMMISSIONER WILLIAMS: Why is Grade A pasteurized better than Grade B?

THE WITNESS: Because it is from selected dairies.

COMMISSIONER WILLIAMS: Is it the same milk practically when the pasteurization is over?

THE WITNESS: Oh, no. Bacterial standards are taken into consideration, sanitary standards and regulations pertaining to that grade of milk which necessarily make it a selected milk.

COMMISSIONER MITCHELL: Do you sell Grade A mostly in well-to-do families?

THE WITNESS: No, sir, quite surprisingly to the contrary. We find the Grade A milk down on the East Side. We find them buying Grade A milk, keeping it on the window sill for their babies.

COMMISSIONER SCHOEN: They incidentally collect plenty of bugs while out on the window sill, don't they?

THE WITNESS: Yes.

COMMISSIONER MITCHELL: What proportion of that is sold to the poor?

THE WITNESS: I can't say now. I can give you an approximate figure of that by the zones, the part of the town where it is served, but it is surprising that there is a lot of it used in the East side district. The poor family buys, as a rule the best they can get for their babies.

MR ALGER: Is there anythin else you want to ask Mr. Cronk, if not, I will put another witness on.

MR MILLER: I would like to ask Mr. Cronk a question or two when you get through.

MR ALGER: Have you anything else to say?

THE WITNESS: No. Just a minute, Mr. Miller. I might say I have prepared here a chart, not being able to get the exact figures, so close to the time here, I have used an arbitrary figure of the purchase of 10,000 cans of milk and applied that to the actual variations in the conduct of our business which we apply in a purchase of that kind, and if it would interest the Commission I would be glad to submit that, so that you can see the ups and downs of sales as well as purchases, as applied to 10,000 cans of milk during that period. That brings it out.

COMMISSIONER WILLIAMS: Have you stated to the Commission to what extent your January sales have fallen off, actual sales?

THE WITNESS: Only in approximate figures, Mr. Williams.

COMMISSIONER WILLIAMS: What was that approximate figure?

THE WITNESS: It seemed to indicate about 20 per cent off on Grade A, and about 35 to 50 on the Grade B pints.

COMMISSIONER WILLIAMS: 35 to 50 what? per cent?

THE WITNESS: Yes, of the business.

COMMISSIONER WILLIAMS: On Grade B pints?

THE WITNESS: On Grade B pints.

COMMISSIONER WILLIAMS: What on Grade B quarts?

THE WITNESS: That was not so great. I have nothing there. It was a slight loss, but nothing like that.

COMMISSIONER WILLIAMS: That is standing still, practically?

THE WITNESS: That is practically standing still; and I think from the slight loss which it showed, it ought to hold its own and come back again. But pints was lost at that figure,— the Commission's figure.

COMMISSIONER KITTREDGE: May I ask the witness: If it really fell off entirely, or did the people turn to the canned milk?

THE WITNESS: I think they turned, Mr. Kittredge, yes.

COMMISSIONER KITTREDGE: And bought loose milk?

THE WITNESS: Yes.

COMMISSIONER KITTREDGE: There was a loose milk increase?

THE WITNESS: Yes, there was a noticeable effect in the bulk milk stores; you see that by the number of people going into the stores.

COMMISSIONER WILLIAMS: Then, of this surplus that has been piling up, very little of it has been due to the reduced use of milk?

THE WITNESS: The principal effect is Grade A.

COMMISSIONER WILLIAMS: How much is that? ~~How much~~
Grade A do you sell?

THE WITNESS: Well, I haven't that here.

COMMISSIONER WILLIAMS: Well, is it a large amount?

THE WITNESS: Well, it has been up until the prices continued to rise, and it has continued to decrease. Well, we used to know what our figures were. We are unable to keep track of them, owing to the many fluctuations.

THE CHAIRMAN: Mr. Cronk, the Mayor's milk Committee made the proportion of Grade A milk 6.6 per cent of the total milk.

THE WITNESS: Of the total amount of milk?

THE CHAIRMAN: Of the total amount of milk.

THE WITNESS: Yes. I think that perhaps may be true in that, but it is not true, I believe, of our business. I think it is a greater per cent of our business, because we have specialized on Grade A products. There are some of course, that do not handle it at all, as I understand it? That was all right, Mr. Miller.

MR MILLER: Mr. Cronk, referring to your comparison of the number of cans of surplus milk at present as compared with a year ago; your present surplus is 4,000 cans a day?

THE WITNESS: Approximately 4,000.

Q And what was the surplus a year ago as of the same date? A I have it in pounds, not in cans, Mr. Miller.

MR MILLER: And what was the surplus in pounds a year ago?

THE WITNESS: Why, about 15,000,000.

MR MILLER: The surplus 15,000,000?

THE WITNESS: Yes.

MR MILLER: Can you roughly give the number of cans that that would represent?

the WITNESS: Why, I should think--

MR MILLER: Daily?

THE WITNESS: What is that? Let us see. I can't, no.

MR MILLER: That is the month?

THE WITNESS: No, I am giving you the total. I have not got it, only in the one form. The surplus of this year in this period, which I mentioned, over last year. I have not computed it out in any other form.

MR MILLER: You can't give us then the comparison between the daily surplus for this month with a year ago?

THE WITNESS: I could give that, but I have not it worked out.

COMMISSIONER WILLIAMS: With corrections for the other companies, if any should be made?

MR MILLER: Yes, sir. Now, during the year, I think you stated that you took over both the city and country business of other companies?

THE WITNESS: Yes.

MR MILLER: That is, you have taken their customers

in the city to whom you supply milk?

THE WITNESS: Yes.

MR MILLER: And you have taken their shipping stations in the country through which you receive milk from the farmers?

THE WITNESS : Yes.

MR MILLER: Now, have you any data that you can give the Commission, showing whether the amount of your increase in sales to customers you thus acquired is more or less than the increased amount you received from the farmers through the shipping stations that you thus acquired?

THE WITNESS: I can't get that. I think I covered that Mr. Miller, when I stated to you that in the month of November we were down to practically a balance, right on a straight line with our actual needs of our sales and the actual milk received; so close, so much so, that we decided it was too close and then began to reopen.

MR ALGER: You have not got enough surplus to meet the ordinary fluctuations in your business?

THE WITNESS: No, not to be safe.

MR MILLER: That I wanted to take up with you later, that particular question. I now wanted to call your attention and see if you could give to the Commission any data to show whether the business that you have taken over from other companies—whether in that business you have received more milk in the country than you have sold to the

new customers in the city; or is it the other way?

THE WITNESS: That would be very difficult, for the reason that in taking over this business— for instance, Dairy A or B had 100 routes that we made dovetail. Those customers were immediately thrown on to fill up the deficiency of the wagons caused by the loss of sales; and therefore it would be hard to go and tell just what those same customers were using which were in that business.

MR ALGER: You tried to effect economies by consolidation?

THE WITNESS: Yes.

MR MILLER: I can see that that would be so, but isn't it your thought that it would be necessary, in order for your comparison to be of value to the Commission, to know the facts to which I have called your attention?

THE WITNESS: I think we can get those facts by basing it on taking those customers and saying that they will be identical with the other customers which we have.

MR MILLER: Yes. Well, wouldn't it be your thought that it would be necessary to have that to complete your comparison for the Commission?

THE WITNESS: I do not know as it would, Mr. Miller.

MR MILLER: I think you stated in reply to questions from Mr. Alger or from the Commission, that your sales of Grade B milk show but very little loss over a year ago.

THE WITNESS: Grade B.

MR MILLER: Am I right?

THE WITNESS: In quarts.

MR MILLER: In quarts?

THE WITNESS: Yes, Grade B in quart bottles.

MR MILLER: And the Grade B trade is the large bulk of the trade?

THE WITNESS: Yes.

MR ALGER: But not in quarts, not in bottles necessarily?

THE WITNESS: Grade B in bottles, the loss which I stated was not very great.

MR MILLER: The Grade B in bottles?

THE WITNESS: Yes.

MR MILLER: Have you the data as to the faking off of the Grade B in cans?

THE WITNESS: No, I have not. I have nothing, only the approximate figures on that, Mr. Miller, because we are working too close to the actual time.

MR MILLER: I see. Now, I take it, Mr. Cronk, that it is necessary for you, for your company to provide for the ordinary and daily exigencies of your business, to have some surplus milk all the time?

THE WITNESS: Yes.

MR MILLER: Will you state how much that necessary working surplus is.

THE WITNESS: Why, we feel that when we get below

400 cans for our business, that we are not on safe ground.

MR MILLER: Yes.

THE WITNESS: Taking into consideration the variable conditions which pertain to production? Your herd will be down this morning or so; so we try to keep around 400. When we get below that it is dangerous.

MR MILLER: You stated also that this surplus had been sold to the manufacturers. Will you tell the Commission if the Manufacturers to whom your company has sold this surplus is your parent company, the Borden's Condensed Milk Company?

THE WITNESS: In part, yes.

MR MILLER: And in a large part or a small part?

THE WITNESS: A large part; a large part of it?

MR MILLER: Yes.

THE WITNESS: We make it a point to sell to anyone that is near our tributary. I have offered milk to other farms, such as, Walldi and Hires, and those concerns.

MR MILLER: I don't know but this question has been asked you; if so you need not answer it again. Can you tell us the number of country receiving stations that were closed by you upon the 1st of October, that have since been reopened?

THE WITNESS: No, I can furnish you with that, Mr. Miller. I can't tell you offhand. I do not know that I have got that up-to-date. I have not got that up to the minute

The last one I have got there is on the last action which we took; that is, in opening any stations to speak of there.

MR MILLER: Now, referring to your suggestion that there would probably be a continued increase in the production of milk, I take it that the reason that you would attribute for the probable increase of production is the fact that the herds are more largely now entering into the period of lactation?

THE WITNESS: Yes, sir.

MR MILLER: I think that is all.

COMMISSIONER WILLIAMS: Mr. Chairman, I would like to ask Mr. Cronk what he gets for the milk sold to the condenseries?

THE WITNESS: How is that?

COMMISSIONER WILLIAMS: What price do you get for your surplus milk,

THE WITNESS: We sell at almost any price to save us manufacturing.

COMMISSIONER WILLIAMS: What price is almost any price? What did you get during the present month?

THE WITNESS: Why, we get cost and anything above that that we can.

MR ALGER: Then aren't you very favorably situated as to the greater part of your business, Mr. Cronk, if you can sell your surplus milk at cost to the Borden's Condensed Milk Company?

THE WITNESS: We can't sell it at cost and divert it, Mr. Alger, for the reason as I have stated, that it lays in 230 different parts of the country.

MR ALGER: But where you are able to sell it at cost, with your surplus, you are more favorably situated, aren't you?

THE WITNESS: Not under present conditions.

MR ALGER: I mean, in comparison with the dealers that have not a condensery.

THE WITNESS: If we had to manufacture butter and cheese we could not do it.

COMMISSIONER WILLIAMS: Why do you object to surplus if you get cost for it?

THE WITNESS: Why do we object if we get cost?

COMMISSIONER WILLIAMS: If you get cost and something more.

THE WITNESS: We can only govern that. I think it reaches a certain point of production, then it is beyond our control.

COMMISSIONER WILLIAMS: Were you unable to dispose of surplus during January?

THE WITNESS: No, we have so far sold it.

COMMISSIONER WILLIAMS: So, as a matter of fact, you have no surplus in January?

THE WITNESS: Well, I do not know. We have a surplus of milk.

COMMISSIONER WILLIAMS: I mean, you have no surplus on hand.

THE WITNESS: We can't keep anything on hand, Mr. Williams. We have to turn it over every day.

MR ALGERS: Mr. Williams does not mean quite that way.

COMMISSIONER WILLIAMS: What I mean to say is this so-called surplus merely represents the milk that you have sold to somebody else at cost, plus what you can get above cost.

THE WITNESS: The surplus milk which we have, immediately as that turns up, we attempt to sell it.

COMMISSIONER WILLIAMS: And have you sold it for January?

THE WITNESS: And we have succeeded in selling it.

COMMISSIONER WILLIAMS: That is it.

THE WITNESS: We have had just one little batch of butter which just happened.

COMMISSIONER WILLIAMS: As a matter of fact, you got all your money back for that milk, didn't you, in January?

THE WITNESS: That really we can't determine until the freight rates are all figured out.

COMMISSIONER WILLIAMS: Did you sell any for less than cost?

THE WITNESS: Not to our knowledge; we endeavor not to.

COMMISSIONER WILLIAMS: So far as you know, you lost nothing in January on your surplus milk?

THE WITNESS: No, I hope not.

THE CHAIRMAN: Mr. Cronk, did you sell to any condenser-
ies other than your own?

THE WITNESS: Yes, I believe we did. We sell to anyone
we can sell to.

THE CHAIRMAN: At the same price as you sell to your
own company?

THE WITNESS: On the same basis, yes .

MR ALGER: That brings me back to the question whether
the Borden Farm Products Company, having been brought up in
connection with the condensed milk business, as it has,
aren't you as a whole better situated in your ability to
dispose of your surplus to condenser-ies than the average
distributor who has not got the history that the Farm Products
Company has?

THE WITNESS: We are no doubt in a better position?

MR ALGER: Yes.

THE WITNESS: But it has nothing to do with history.
We do not know any day or any minute— I have two factories
to-da where I am shipping to manufacture condensed, where
they have notified me that they cannot receive the milk.
Now, unless they get sugar, and go forth in there, to-morrow
I may be manufacturing that.

COMMISSIONER WILLIAMS: You mean then their ability
to take milk depends on whether they can get sugar?

THE WITNESS: Not alone sugar; sugar and tin and coal;

the capacity of the plant.

THE CHAIRMAN: Mr. Cronk, are your condenseries selling the government?

THE WITNESS: Yes, sir, I believe they are.

THE CHAIRMAN: What proportion of their output?

THE WITNESS: I could not say; I do not know as to that.

THE CHAIRMAN: Do you know whether the price to the government is the price that controls other sales?

THE WITNESS: I do not know? I do not know anything about that part of it. The only thing I know is that I oftentimes go to them, get down on my knees to get them to take milk; and that is as far as I know what becomes of the milk.

THE CHAIRMAN: That government situation is related to the milk situation of the country as a whole?

THE WITNESS: I know. There are points they cannot receive milk on account of not permitting them, operating under the regulations. They said they could not take it over there, and that was all.

MR. NATHANS: Mr. Cronk, with this surplus, now, which you say is unusual, notwithstanding you have been able to get rid of it to manufacturing plants, aren't you apprehensive of the future? Is this abnormally large?

THE WITNESS: The amount of milk which is indicated by our receipts which show that we are facing a very acute

situation? There is no question in my mind, aside from it being abnormally large at this time, that we are going to see a point of production this Summer that we have never seen before in a long time, due to the fact, as Mr. Fuller has stated, the inability to get the feeds at proper prices, even though they were willing to pay the price for them, perhaps could not get the feed on account of transportation facilities; with the result that that cow— it has been my experience that that cow, being deprived of a balanced ration, during the Winter, that when it comes time to turn her on to grass, she is going to bowl it right out to us, and we are really looking towards an abnormally large production at the time when it comes time for her to go on to grass.

COMMISSIONER WILLIAMS: Mr. Cronk, aren't you in a way contradicting yourself? You have just told us you have this large, much larger surplus than you have ever had before.

MR ALGER: An artificial surplus.

COMMISSIONER WILLIAMS: And that your Grade B sales are practically the same.

THE WITNESS: ON QUART bottles, sir.

COMMISSIONER WILLIAMS: On quart bottles; and the falling off is confined to a very small percentage of your total business; that is, your grade A milk is only 6 per cent, and your pints a very small percentage, according to last reports.

THE WITNESS: Just let me correct you there. I am not giving you any actual figures. The sales, I am approximating it just from observations of those sales which I have mentioned to you. I cannot get the exact figures.

COMMISSIONER WILLIAMS: The truth, as I understand it.

THE WITNESS: There is a reaction there.

COMMISSIONER WILLIAMS: Did you have a very much larger supply of milk than you ever did have before?

THE WITNESS: Yes, sir, at this time.

COMMISSIONER WILLIAMS: In fact it is running 150,000 quarts of your surplus, compared with surplus— a surplus in a surplus— so aren't you giving the Commission rather a speculative prospect?

THE WITNESS: I am giving you actual figures on surplus, comparing it to a year ago. The sales I am giving you and approximate figure; that is mere guesswork, just from observation only.

COMMISSIONER WILLIAMS: We have been rather impressed in the past by stories about the reduction in the supply of milk. Now, we find that the production has enormously increased, apparently; that is, the supply is very much greater.

THE WITNESS: The production going down?

COMMISSIONER WILLIAMS: Well, the farmers have told us if we did not raise the price the milk would cease to come in New York, and you tell us it is coming in 160,000—

THE CHAIRMAN: m(Interrupting) We did raise the price.

COMMISSIONER WILLIAMS: Now, he is predicting a still greater supply for the succeeding season. I ~~know~~ do not mean to question the accuracy of your judgment; I am only calling your attention to these facts.

THE WITNESS: In predicting what a cow is going to make it is pretty difficult; but I will take a chance in my method of predicting that she is going to make more milk this Summer. There is no question in my mind about it. As far as somebody predicting what the production in the production of milk will be, I do not believe that there is anyone that can accurately do that. That is a question for the consuming public to answer. That is an invisible answer. No purchase of butter, no purchase of cheese, and a reduced purchase of fluid milk, is the answer. If the consuming public refuse to buy milk, then the cows will be slaughtered. That is my way of looking at it?

THE CHAIRMAN: Mr. Rareshide, I would like to correct one particular. You said, if cows are not fed properly they will increase their production in the Summer. If it is a cow that is giving milk in the Winter, and it is not properly fed —

THE WITNESS: I stand for that, yes sir; that is all right Mr. Chairman.

THE CHAIRMAN: The cow will not increase her production.

THE WITNESS: She is a milch cow. Let me just

qualify that by stating, we have found during the period of lactation, a 5,000 pound cow usually gives that 5,000 pounds of lactation, as a rule. Now, if you fail to take it out, or get it out at a certain time, when she does go on to grass, she naturally flushes. So metimes it is a short time, or sometimes it continues quite a while, if feed is good,— grass is good, she responds.

THE CHAIRMAN: She responds no better?

THE WITNESS: What is that?

THE CHAIRMAN: She responds no more fully; that is if she is well fed through the Winter she responds, if she will give as much milk in the Summer as though she is poorly fed, a little more.

THE WITNESS: My experience has not been just that way Doctor. I found that it takes just so much to get that cow on her feed before she gets back to her regular producing condition? I think that is true in feeding concentrated feed as well as in nourishing her with natural feeds, grass.

THE CHAIRMAN: This is not pertinent, but if you mark a ^{cow} down by low rations, you are not likely to get her back again under any system.

THE WITNESS: I believe that is true.

THE CHAIRMAN: I would like to correct, if I may, Commissioner Williams. He spoke of having used six per cent of Grade A milk. That was a statement I made in regard to the figures furnished by the City milk Committee, 6.6 per cent. Mr. Cronk stated they had more.

COMMISSIONER WILLIAMS: 6.6 per cent I think he had.

THE WITNESS: No, I do not say that. I said that might apply to the business as a whole, the whole total business, but not to ours.

COMMISSIONER WILLIAMS: What was your percentage?

THE WITNESS: I think at one time, Mr. Williams, we had around 18 or 19 per cent.

COMMISSIONER WILLIAMS: Take December.

THE WITNESS: I could not say for December. As I say, for this period where they have been going up and down, it has been utterly impossible to keep it in your mind.

THE CHAIRMAN: Is there anything more ^{for} Mr. Cronk?

MR ALGER: That is all I have for Mr. Cronk.

COMMISSIONER SCHEDRICK: Mr. Cronk, you have an abnormal surplus at this time, have you?

THE WITNESS: Yes, sir.

COMMISSIONER SCHEDRICK: You are selling it through your connection, or the fact that your current company is friendly, and you are selling to them without a loss at the present time?

THE WITNESS: Yes, sir.

COMMISSIONER SCHEDRICK: Have you ever been situated so you could not do that?

THE WITNESS: Oh, yes.

COMMISSIONER SCHEDRICK: You have?

THE WITNESS: Many times.

COMMISSIONER SCHEDRICK: When was that?

THE WITNESS: Well, right from my mind I can't just tell you; but it was beginning, the last one I know of was right in October.

COMMISSIONER SCHEDRICK: In October last?

THE WITNESS: In October last.

COMMISSIONER SCHEDRICK: In September and October you had to make large quantities of milk into butter and cheese at large losses?

THE WITNESS: Large losses.

COMMISSIONER SCHEDRICK: Very large losses?

THE WITNESS: Yes, sir,

COMMISSIONER SCHEDRICK: Will you tell the Commission-- I think they are more interested in February than they are in January-- I wish you would tell them just on your experience what your surplus will be, if you get the natural increase of these dairies in February over January. Give it approximately, Mr. Cronk, I do not care for the exact figure.

THE WITNESS: That will be approximately 2500 cans a day, at least.

COMMISSIONER SCHEDRICK: 2500 cans?

THE WITNESS: Yes, sir,

COMMISSIONER SCHEDRICK: Do you know of your own knowledge whetheryou can dispose of this to the condenseries at a price which will not net you a loss?

THE WITNESS: I do not,

COMMISSIONER MSCHEDRICK: Do you believe you can?

THE WITNESS: I doubt very much our ability to turn that milk under that arrangement.

COMMISSIONER SCHEDRICK: If the factsexist which you indicate here, you have the surplus, and you cannot turn it over to the parent companies for condensing on account of their ability to take it or on account of the price being exoessive, so that they cannot afford to manufacture it without a material loss to you, what are you going to do with it?

THEWITNESS: That is just the question I have been trying to bring up so you would take it under serious consideration. I do not know what we are going to do with it, with obligations to purchase and no known method of some differential for manufacturing purposes; I do not know what is going to happen to the industry.

COMMISSIONER WILLIAMS: What did you do last October, when you had the same condition?

THE WITNESS: Closed the factories, 42 of them³

COMMISSIONER WILLIAMS: You mean, put it back on the hands of the farmer?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: Did you have this same kind of an agreement, have to take milk then?

THE WITNESS: No, sir.

COMMISSIONER WILLIAMS: What did the farmers do with it?

THE WITNESS: They turned it to other manufacturing centres, where they could deliver it, cheese factories, or anywhere they could go.

COMMISSIONER WILLIAMS: Feed any to chickens?

THE WITNESS: Not to my knowledge.

THE CHAIRMAN: Is that all of Mr. Cronk?

MR MILLER: Just a word, Mr. Cronk.

MR ALGER: I just want some additional figures.

Just give me your figures for 1917. You stated your total sales, Grade A sales, were 24 per cent, and Grade B sales 26 per cent. Is that both wholesale and retail?

the WITNESS: That is retail.

MR MILLER: Mr. Cronk referring to the stations that your company closed in the country, do you know that in some instances, the milk from the dairies that before that time went to such shipping stations which were closed, went to other shipping stations?

THE WITNESS: To a very slight degree, Mr. Miller; we had some cases of that, which we allowed for in closing, you know, leaving room to take them, — a factory adjoining the one we closed, we figured any of those dairymen tributaries would naturally go to the other place; but that was not very great.

MR MILLER: But have you also knowledge of the fact that the milk from some of your closed stations went to receiving stations operated by other companies?

THE WITNESS: No, I do not know what has become of the milk.

MR MILLER: And have you any knowledge of the fact that in many localities of these closed stations the herds of cattle were sold?

THE WITNESS: I did not know of that. The only thing I know of that, Mr. Miller, I believe, you asked me at the last session which this Commission held at the City Hall, citing one particular place which at that time I knew nothing about that action. That is the only one that I have in mind.

MR MILLER: Have you investigated that point since that time?

THE WITNESS: No, I have not.

MR ALGER: You do not know whether that is the fact or not?

THE WITNESS: I do not know. My reason for not doing so is the fact that to my understanding there is a competitor in that territory there.

COMMISSIONER WILLIAMS: About how many quarts does that Grade A milk amount to in numbers of quarts?

MR ALGER: November?

COMMISSIONER WILLIAMS: Yes.

MR ALGER: Mr. Rareshide's figures give 1,979,356 of Grade A; Grade B, 6,311,315.

COMMISSIONER WILLIAMS: Almost 2,000,000 quarts; and that

has fallen off how much? What did you say?

MR ALGER: November figures.

COMMISSIONER WILLIAMS: Those are November. What do you say the January figures have fallen off, Mr. Cronk?

THE WITNESS: I do not know.

COMMISSIONER WILLIAMS: Did you give the approximate falling off?

THE WITNESS: The decrease in sales, yes; it was approximately 80 per cent.

COMMISSIONER WILLIAMS: 20 per cent was on the same basis; that would be 400,000 quarts?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: For the Grade A?

THE WITNESS: Yes. I think you will find it will be all of that.

THE CHAIRMAN: The Commission would like to adjourn at 1 o'clock; and if we are through with Mr. Cronk, I do not wish to extend this unnecessarily. Have you a witness, Mr. Miller?

MR MILLER: No, sir, he is not a witness of ours, Dr. Jordan; he is a gentleman I happened to meet last evening, who is investigating the labor problem in farming districts, and he thought he would like to be heard by this Commission.

THE CHAIRMAN: Does it have direct relation to our inquiry?

MR MILLER: The labor costs of the farmers.

EDWARD W. MCNAMARA, called as a witness testified as follows:

THE WITNESS: I have been interested, Mr. Chairman and members of the Federal Commission, for the past three or four months in farm labor. In my county and the surrounding counties it is a serious matter. We have a diversified pf farming and try to maintain the dairy herd as best we can, to keep up on production of milk here for you to have those sittings. Now then, the war is hitting our labor very hard, ~~it~~ not directly; our shortage is not directly chargeable to the war; but it has been decreasing for the last sixteen or seventeen years. But when the war began, we found that in the draft acts, the first draft reduced our shortage greatly.

THE CHAIRMAN: Increased it or ~~it~~

THE WITNESS: Decreased it. The shortage of labor, it was utterly impossible to secure any form of help whatever that was worth anything to the farmer in the central parts of New York State. We endeavored to ~~to~~

THE CHAIRMAN: Which county are you in?

THE WITNESS: I am in Herkimer County, one of the great ~~est~~ counties in ~~the~~.

THE CHAIRMAN: How many farmers were taken by the draft?

THE WITNESS: Yes, sir.

THE CHAIRMAN: Will you state the number of them?

THE WITNESS: I could not in the entire county, but I know it was excessive, and we tried every effort to get along this past Summer, and secure our crops. In that county and throughout several counties which I know, there are crops yet unharvested, that will run into millions of business that we should have.

THE CHAIRMAN: Have you any munitions^{industries}/in the State in that county?

THE WITNESS: Yes, sir, we have the

THE CHAIRMAN: And what is the effect of those munition industries on your farm labor?

THE WITNESS: It has been very hard. Now, they can guaranty an unskilled laborer in those munition plants \$3.50 a day for 9 hours work, and time and a half for over time. Now, we cannot compete with those conditions, and we are trying to maintain the government. When I saw those things, I took the matter up with our congressman, Mr. Snyder, and have been in Washington about 11 weeks. I have had appointments with every official in the government from President Wilson down, and with every official in the Agricultural department; and every one of those officials agree with me to the necessity, that it is our duty in some way to maintain the trained practical help that we have now on the farms, and get back what we can. Well, we secured this questionnaire, you understand, for the last draft. I

returned the 12th of January, and I must say with positive assurance that it was really a difficult task for those people to fill out those questionnaires properly; and I have found in my county just one questionnaire filled out properly, which I filled out at our farms bureau office at Herkimer, January 1st, before leaving for Washington.

I had taken the matter up with the local Exemption Board at Herkimer, and Little Falls, and it secured the straightening out of these questionnaires to a certain degree. It was our intention, you know, to have the trained farmer, the practical farmer, his son and practical hired man, placed in Class 3, practical hired men, you see; and the former or his son, if he was attending to his father's farm in Class 4.

COMMISSIONER MITCHELL: That is the deferred draft, you mean?

THE WITNESS: Yes, sir. Had they been placed there, we would have been safe in either one of the classes; but with the confusions of that questionnaire and with the understanding that the people had, that the government or some officials appointed to fill out ~~those~~ those questionnaires for the people, — there has been a very bad mistake made. Now, I can only answer for Herkimer County and Oneida County. I know there are several very good men have gone from farms of Oneida and Herkimer and Otsego County. Other than that I cannot answer, but I should surmise that

each ~~county~~ of the State of New York is in about as bad a predicament. I journeyed four times to Malone during my last trip home to see if I could straighten out some of the questionnaires.

MR MILLER: That is the District Board?

THE WITNESS: Yes, sir, the District Board at Malone. But I found there one of the greatest difficulties was to have the Malone Board understand the conditions which the government were working for; and they were of the opinion that the farmers of the State of New York could form or run their agricultural department the same as they could in Kansas or the western states where they only have to have help say 10 or 12 days in the Spring to put in their light grains and corns, and the same amount of labor in the harvest season.

Now, Congressman Snyder introduced for me a bill in Congress, and it is there now? I have it with me now, if your clerk, or if you wish to have it on record.

THE CHAIRMAN: We do not care for that.

THE WITNESS: I would be pleased to get your sanction in some way or other so that when I return to Congress I can use it to secure that bill and have it placed on the statute books previous to February 15th.

THE CHAIRMAN: Briefly, what is the nature of your proposition?

THE WITNESS: The bill—

THE CHAIRMAN: Just state it in brief terms.

THE WITNESS: Well, it keeps the farmer, his son and trained help on the farm. Any trained farmer, practical farmer, that is now in camp or cantonment should be returned to the farm where he belongs. Now, those conditions exist in this bill. Just as long as those men who are good practical farmers and producers will remain on the farm----- if they accept the munition plant offers, you understand, of \$3.50 a day for 8 hours a day, and time and a half overtime, they automatically place themselves back in line for war service.

THE CHAIRMAN: Tell me, please, is your bill one which proposes the draft of your farm boys, and then furloughing them?

THE WITNESS: No, I objected to that?

THE CHAIRMAN: Why?

THE WITNESS: Why, I am personally acquainted with Provost Marshall Crowder, and I know he is there for an army, and he would not--- for instance, here, Mr. Chairman, if he had 200,000 men, we will say 40,000 of them farmers in training camps and cantonments, and they were properly drilled and ready for warfare on the 1st of April, when we need them very badly in the State of New York, if he had a call for 200,000 men to send over to the battlefield, would you imagine for a moment that Provost Marshall Crowder will sieve those farmers out and send them back to us?

COMMISSIONER MITCHELL: Does this bill exempt these

farm hands while they remain on the farm?

THE WITNESS: Yes, sir, but automatically places them right in line for war service the moment they leave the farm.

COMMISSIONER MITCHELL: What about paying them?

THE WITNESS: Well, that is well taken care of. You pay a panhandler \$40 to \$50 a month, and he will roll cigarettes while you do all the work, but a farmer you have to pay.

COMMISSIONER MITCHELL: Does the bill arrange for that at all?

THE WITNESS: Not at all.

THE CHAIRMAN: Your bill then is—

COMMISSIONER MITCHELL: (Interrupting) So if they do not work at some rate agreed upon they are subject and may go back in the army?

THE WITNESS: Yes, sir.

COMMISSIONER MITCHELL: They must go back?

THE WITNESS: Yes, sir, absolutely. We are not trying, you understand, to block the army in any way.

COMMISSIONER MITCHELL: No, but your bill would provide that unless the man who had been formerly on the farm worked for whatever wages he is offered on the farm, that he then goes back in the army?

THE WITNESS: Well, the ~~army~~ farm has got to pay their salary. It is not wages any more, it is salary. And they are willing to pay it.

COMMISSIONER MITCHELL: I am not doubting their willingness to pay it; but if I understand your bill, unless the man will work on the farm, he goes in the army.

THE WITNESS: Most emphatically.

COMMISSIONER MITCHELL: And that is quite without regard to the offer of wages offered by the farmers?

THE WITNESS: Yes, sir.

COMMISSIONER MITCHELL: I should think that would be a very serious defect in the bill. I think any farmer should offer the prevailing rate of wages to the farm hand, not the rate paid in the munitions factories. The men released from army service to work on the farm ought not to have the choice of working at any wages offered or working in the army. You are a farmer yourself, aren't you?

THE WITNESS: Yes, sir.

COMMISSIONER MITCHELL: The Chairman understood in some way you were in the employment of the State. Didn't you understand that way, Mr. Chairman?

THE CHAIRMAN: I did not clearly understand.

THE WITNESS: I am a farmer, and own 305 acres of land and have worked it for the past five years absolutely alone you might say, and we are endeavoring to have those conditions bettered.

COMMISSIONER WILLIAMS: We shall refer the matter to the executive session. I move we adjourn now to 2:30 o'clock.

A F T E R R E C E S S 2:30 P. M.

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The Chairman called the meeting to order at 2:55 p.m.

THE CHAIRMAN: I understand the counsel for the distributors has additional testimony which he desires to present.

MR. ALGER: Yes, I am going to call a few witnesses, and will make it as short as I can.

G E O R G E B. J O R D A N, called as a witness on behalf of the Distributors, being first duly sworn, was examined and testified as follows:

QUESTIONS BY MR. ALGER:

Q You reside where, Mr. Jordan? A Newburgh, N.Y.

Q And what is your occupation? A I am in the dairy business.

Q And what is the concern that you are with? A I am the President of the Hudson Valley Dairy Company.

Q And how many plants do you operate? A We are operating at present six.

Q Mr. Jordan, I wish you would tell the commission in a general way what you find the conditions are with reference to surplus; that is milk that you receive and pay for and buy from the farmer which you are unable to dispose of as liquid milk, and what you do with it? A Well, we have perhaps thirty per cent. of our supply over; that is, I mean by that we have to turn it into something we can sell,

either cream or butter or cheese. We sell the cream at ^{207 1/2} better prices in New York, and we make the skimmed milk into potcheese.

THE CHAIRMAN: Into what?

THE WITNESS: Make the skim milk into potcheese.

Q You have no condensing plant facilities for your business, have you? A None in Newburgh.

Q And what is the average butter fat that you run up there in your part of the world? A Well, of course, in Delaware County the butter fat runs very high, about four and a half per cent, it averages.

Q And are you sustaining a loss now on your surplus milk? A Oh, yes.

Q Just tell the commission what that loss is. It is on a third of your milk, as I understand it. A I would say that we manufacture now butter and cheese - we would not get more than half at the time of what we are paying the farmers. We could not realize in butter and cheese at the present time over half what we pay the farmers for this milk.

THE CHAIRMAN: You are paying \$3.52 for three per cent. milk?

THE WITNESS: Three per cent. milk, yes; that is, \$1.18 a pound for butter fat. When we sell it we get about fifty-five or fifty-six cents a pound for butter fat.

We are paying a pound, \$1.18 for that butter fat.

Q That means a loss of approximately how much a can on all the surplus milk?

A Well, I would say over a dollar a can, a dollar and a quarter a can at least, maybe a dollar and a half a can.

Q What do you do with that surplus? Do you sell it to dealers? A The surplus, sell the cream to dealers in New York when we can. I have made a good deal into cheese this month. Mostly cream sold to New York, although we have a large stock of cream on hand now.

Q How long have you been in the milk business, Mr. Jordan? A Forty years.

Q And from your experience as a milk dealer, can you state whether or not the amount of surplus that you have this January is abnormal or a normal surplus? A Well, last winter we had very little surplus in January. Usually we have a surplus in January, at times.

Q You have some surplus, but do you have any surplus like the one you have now at the present prices? A We did not last year, no. Last year it worked out pretty good.

THE CHAIRMAN: How about in the previous year?

THE WITNESS: Oh, it was pretty near as large a surplus.

THE CHAIRMAN: As high as this year?

THE WITNESS: Never when prices were so high that

there is a loss in manufacturing.

Q In other words, it is not the surplus at this time, but is the cost of carrying that surplus?

A I do not mind the surplus if I can use it in manufacturing. If I pay \$1.54 a hundred pounds for three per cent milk and manufacture it, we lose half our money.

Q About how much milk does your company carry? A We buy probably 750,000 pounds a month.

Q And what is the prospect, Mr. Jordan, about the increase in amount of milk that you are going to receive during the month of February over the month of January? A Oh it is bound to increase. I think in one of our plants we are getting now double what we did in December. That is largely owing to the fact that the Farmers Co-operative Creamery nearby is getting only about fifty cents a hundred out of the milk and have closed up their creamery and brought the milk over to us. It got in there before I knew it. They closed their own dairy and brought the milk to us; so we are carrying the surplus milk.

MR. ALGER: That is all.

W I L L I A M A. L E V Y, called as a witness, on behalf of the Distributors, being first duly sworn, was examined and testified as follows:

QUESTIONS BY MR. ALGER:

Q Mr. Levy, you are President of the Levy Dairy Com-

pany, are you? A Secretary.

Q And how many plants does your company operate?

A Around thirty-one or so.

Q Are you carrying a surplus now? A About a hundred and twenty cans a day.

Q Is your surplus increasing? A Yes, sir.

Q To what extent is your surplus increasing? A Well, in different factories, some places two or three or four cans: some places as high as eight cans.

Q In the same dairy? A The same dairies.

Q And have you any facilities for turning your milk into condensed milk? A No, sir.

Q What do you do with the milk you get? A Manufacture it into cheese.

Q Are you sustaining a loss on the surplus that you are handling now? A Yes sir.

Q How much do you say that surplus is? A About a hundred and twenty cans.

Q And what percentage of your business does that represent? A Well, it would be about eight or nine per cent. We handle about two thousand.

Q And what loss do you say you are sustaining on cheese? A Well, according to the price today, if I got --

Q (interrupting) Figure that on the basis of cans of milk. A It would be about \$1.35 a can or so. If I get my returns according to the market price. But I doubt if I

will get that, for the simple reason we are making cheese now in this cold weather and won't turn out good cheese.

Q You do not make any butter at this time? A No.

Q Can you do better with cheese than you can with butter? A Well, we are not prepared to make butter in our plants; we just make cheese.

MR. ALGER: That is all.

THE CHAIRMAN: Mr. Levy, has your surplus increased in January?

THE WITNESS: It is increasing right now, in January, yes.

THE CHAIRMAN: How much has it increased over December?

THE WITNESS: Well, increased about close on to two hundred cans.

THE CHAIRMAN: You say now two hundred cans of what?

THE WITNESS: A day.

THE CHAIRMAN: Will you say you have a hundred and twenty cans a day surplus now?

THE WITNESS: Yes, sir.

THE CHAIRMAN: Well, how could it increase that much?

THE WITNESS: Well, I have been buying some outside milk and I shut that outside milk off, and manufactured the milk that I have this very day.

THE CHAIRMAN: You are sure that the increase of

surplus is two hundred cans ?

THE WITNESS: Oh, yes.

THE CHAIRMAN: Of milk coming from out of town?

THE WITNESS: Something around that.

COMMISSIONER WILLIAMS: Mr. Levy, what is your business?

THE WITNESS: Wholesale milk business.

COMMISSIONER WILLIAMS: Only wholesale?

THE WITNESS: Only wholesale.

COMMISSIONER WILLIAMS: In cans?

THE WITNESS: In cans. We have some retail.

COMMISSIONER WILLIAMS: Are you doing bottling?

THE WITNESS: We do bottle for the Truxton Dairy Company, that is all our business; but that is separate.

COMMISSIONER WILLIAMS: How many bottles do you put up?

THE WITNESS: I do not know. We had figures here the other day. I do not know.

COMMISSIONER WILLIAMS: In round figures?

THE WITNESS: About a hundred and ten cans a day, five or six thousand quarts.

COMMISSIONER WILLIAMS: Five or six thousand quarts; what do you charge for that?

THE WITNESS: We charge on our wagons fourteen cents.

COMMISSIONER WILLIAMS: You charge the consumer fourteen cents?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: Or the retailer?

THE WITNESS: Retailer, - the housewife.

COMMISSIONER WILLIAMS: You charge the housewife fourteen cents?

THE WITNESS: We do.

COMMISSIONER WILLIAMS: For a bottle?

THE WITNESS: For a bottle.

COMMISSIONER WILLIAMS: Grade "B" milk?

THE WITNESS: Grade "B" milk.

COMMISSIONER WILLIAMS: Then you are one cent under the market?

THE WITNESS: We are.

COMMISSIONER WILLIAMS: Now, your total business is about 2,000 cans a day?

THE WITNESS: It is.

COMMISSIONER WILLIAMS: 80,000 quarts?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: And you are losing about \$1.35 on 200 cans?

THE WITNESS: 120 cans to 125.

COMMISSIONER WILLIAMS: Then you are losing pretty nearly \$200.00 a day?

THE WITNESS: Something around that.

COMMISSIONER WILLIAMS: In other words, you are losing 2-1/2 cents a quart on your whole product?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: Now, why wouldn't it be better for you to stand that loss on your milk and build up your trade than to stand it on -- and put your milk into the human beings in the city, than to stand that loss on your butter and your cheese?

THE WITNESS: Can I stand that loss now by giving the trade milk for fourteen cents?

COMMISSIONER WILLIAMS: But this is a loss beyond that, isn't it?

THE WITNESS: Yes, and I am selling some of my milk today for ten and a quarter cents, not ten and a half.

COMMISSIONER WILLIAMS: Ten and a quarter cents?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: But apparently the evidence before the commission shows that over a period of something more than a year the milk supply of New York is off a half million quarts a day; that is to say, the present consumption of milk as compared with a year ago, and the difference is a saving of about half a million quarts a day, as I understand the figures, in round figures. Now, that apparently, through the information of those who testified, is the result of the increased price to the public, and the resentment of the public to raising the price. Now, what I am asking is, in your judgment, wouldn't it be a better policy to stand this

loss directly on milk than to stand it in cheese, and build up your milk business?

THE WITNESS: Well, I have been standing a loss right along. I could not sell any more than I am today.

COMMISSIONER WILLIAMS: You are standing a loss of \$200.00 a day?

THE WITNESS: I can't help myself.

COMMISSIONER WILLIAMS: And you are standing that loss on cheese?

THE WITNESS: Well, I can't go out and just give my milk away. If I sold one man under the price I would have to sell it to all my trade, and that would make a greater loss.

COMMISSIONER WILLIAMS: But you are losing two cents a quart on your whole output according to your figures; in other words, you are only getting twelve cents a quart?

THE WITNESS: Why, I am getting fourteen cents for my reta. milk.

COMMISSIONER WILLIMAS: Then you are losing \$1.35, you testified, on a hundred and twenty cans a day. How much is that in money?

THE WITNESS: That would be something close to \$200.00.

COMMISSIONER WILLIAMS: Then \$200.00 is equal to acent on how much milk, say, in quarts? \$200.00 is how many quarts?

THE WITNESS: \$200.00, I don't know; that won't

amount to much.

COMMISSIONER WILLIAMS: What I am asking you, without taking the time of the commission to go into details - what I am asking is this: Why wouldn't it be better, as a practical measure, to get back your trade that is lost trade, your part of this half million quarts, to stand the loss in the milk itself rather than stand a loss in the cheese. You are standing a loss/^{some-}where around \$200.00 a day.

THE WITNESS: I will continue to stand the loss, as the milk increased. Milk will slow up right along now, and I will continue to stand a loss.

COMMISSIONER WILLIAMS: If you reduced your price, you would sell all the milk, wouldn't you, to the public?

THE WITNESS: Why, certainly I would be losing a great amount of money.

COMMISSIONER MITCHELL: Why do you sell bottled milk delivered at fourteen cents a quart?

THE WITNESS: I have thirty-five wagons on the street. If I put it out at fifteen cents a quart, I know how much business I will have. I will have to take those wagons and put them away and take them off the street. I took ten away already. I do not want to take off twenty more. I might as well run along.

COMMISSIONER WILLIAMS: Where are you selling milk?

THE WITNESS: On the East Side, among the poorer class of people.

COMMISSIONER WILLIAMS: How many quarts a day do you sell?

THE WITNESS: Retail about six hundred, and the balance in canned milk to those poor grocery stores.

COMMISSIONER WILLIAMS: You are selling to six hundred customers over there without any increase in price over the price of January 1st?

THE WITNESS: Well, not to lose the trade.

COMMISSIONER WILLIAMS: In addition to that you are losing \$200.00 on the milk you are putting into cheese?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: What I am asking is, as a practical question, why don't you sell that milk directly to the public at a reduced price instead of putting it into cheese at a reduced price?

THE WITNESS: Well, how much would the amount be on seventeen hundred cans if I went out and sold seventeen hundred cans of milk a day? How much could I reduce to the customer? Why, it would not amount to much. God, I would be losing on the selling end and I would be losing on the buying. I am losing anyway.

COMMISSIONER WILLIAMS: You are losing anyway.

THE WITNESS: I might as well turn over my business to the -

COMMISSIONER WILLIAMS: (Interrupting) Well, is your method of putting your loss into - taking your loss through

the medium of cheese; is that -

THE WITNESS: (Interrupting) I am taking the loss for the simple reason that I have got to take the milk the farmers produce. That is where I get my loss.

COMMISSIONER WILLIAMS: Why don't you sell your milk to the public at a reduced price instead of--

THE WITNESS: (Interrupting) I am selling a cent a quart cheaper.

COMMISSIONER WILLIAMS: But this milk you are putting into cheese, why don't you offer it to the store at a reduced price?

THE WITNESS: If I offer it to the one, I would have to sell all my trade under the price.

MR. ALGER: How many thousand quarts does that mean?

THE WITNESS: Well, take eighteen hundred cans, and one hundred and twenty cans, and see the difference there.

COMMISSIONER SHEDRICK: Mathematically, if you take a pencil, I think you can tell how long you will last. If you know how much money you have in the banks, you can tell how long you would last.

THE WITNESS: Why, it would last one week.

COMMISSIONER WILLIAMS: On your bottled milk that you sell to the trade at fourteen cents a quart, do you make a profit?

THE WITNESS: No, sir, I am losing.

COMMISSIONER WILLIAMS: You are losing money on the

bott -

THE WITNESS: Yes, sir, a losing game every²⁰⁹⁰ day.

COMMISSIONER WILLIAMS: What do you figure your loss on the quart?

THE WITNESS: I can't figure that; I am not an accountant; I can't figure --

COMMISSIONER WILLIAMS: (Interrupting) Is there anything in your business by which you can make money?

THE WITNESS: Today? No. I am losing; and in fact I lost, I think I lost in December. We will get our statement out this month if our men get time enough. They have been working on the November statement.

COMMISSIONER SHEDRICK: You lost about \$6,000.00 in November, didn't you?

THE WITNESS: Yes, sir.

COMMISSIONER SHEDRICK: About \$6,000.00 your whole company lost?

THE WITNESS: About \$6,000.00 odd.

COMMISSIONER SHEDRICK: That was what was testified yesterday.

THE WITNESS: Yes, sir.

COMMISSIONER MITCHELL: If you could sell all the milk you could buy at fourteen cents a quart delivered, would you make money?

THE WITNESS: I would have to go to my bank and ask them to loan me some more money.

COMMISSIONER MITCHELL: Did you understand the question? If you could sell all the milk you buy from the

the retail trade at fourteen cents a quart?

THE WITNESS: I could not sell milk for fourteen cents a quart.

COMMISSIONER MITCHELL: You are now selling milk at fourteen cents a quart.

THE WITNESS: I say I am selling it because I do not want to lose that trade. I do not want to lose the trade at the present time.

COMMISSIONER MITCHELL: I understood you to say that if you were not required to buy more milk than you can sell to the trade, that your situation would not be as bad as you portray it here; if you were not required to buy any surplus milk and could sell all the milk you did buy to the trade at fourteen cents a quart, what would the result then be?

MR. ALGER: What Mr. Mitchell is getting at, whether or not you would be losing on your fourteen cent trade if you did not have your surplus.

THE WITNESS: Why, certainly I would be losing money at fourteen cents a quart. I would be and ~~at~~ I am losing on it this very day at this fourteen cent rate.

COMMISSIONER MITCHELL: You are trying to keep your business together?

THE WITNESS: Under the expectation milk would go down; and they changed that price.

COMMISSIONER WILLIAMS: Mr. Levy, what is the milk

worth to you going into cheese? You pay about eight cents for it, don't you?

THE WITNESS: Something around that.

COMMISSIONER WILLIAMS: Is this the same corporation that makes the cheese that buys the milk?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: So it is in the one company that makes the transaction?

THE WITNESS: That is right.

COMMISSIONER WILLIAMS: What do you estimate the milk is worth to you in the form of cheese?

THE WITNESS: In cheese, you mean, that same milk?

COMMISSIONER WILLIAMS: Yes.

THE WITNESS: I do not know. Cheese is twenty-three cents, quoted around twenty-five cents. I do not think I will get that much for it.

COMMISSIONER WILLIAMS: Assuming that.

THE WITNESS: At twenty-three cents a pound I would get something around seven and a half pounds to the can, or nine pounds out of a hundred, something like that.

COMMISSIONER WILLIAMS: Well, you told us you are losing about \$1.35 on 40 quarts.

THE WITNESS: Yes, that would be right.

COMMISSIONER WILLIAMS: Two and a half cents a quart?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: So that as a matter of fact

that would be about five and a half cents a quart the milk would be worth to you in cheese form. And then, to the question as to why you did not prefer to sell the milk directly at a reduced price, your answer is that it would demoralize your whole business and you could not afford to do it?

THE WITNESS: Sure it would; I would have to drop it all.

COMMISSIONER WILLIAMS: Do you think as a practical matter, if you were to sell that milk at a reduced price, and simply say it was your surplus milk -- do you think it would demoralize your trade?

THE WITNESS: Well, if we sold milk a little cheaper than we are selling now, the people would buy more, and the grocer would be glad to sell more. Just at present he does not dare to sell it, and the housewife does not buy as much as she used to buy at a lower price.

COMMISSIONER WILLIAMS: What I was getting at was, whether, if vbody and everybody would sell his surplus in the form of secondary milk at this reduced price, whether in the long run it would not be better.

THE WITNESS: If we could buy cheaper milk it would be so. At this high price for milk, we could not afford to do that.

THE CHAIRMAN: Do you think, Mr. Levy, you could sell milk at two prices?

THE WITNESS: No, sir. I could sell at two prices,

yes, the lowest price. I would sell Tom today for ten cents cheaper, and John would find it out tomorrow, and he would say, "Why are you selling Tom ten cents cheaper?"

COMMISSIONER WILLIAMS: Couldn't you sell the first quart at fourteen cents and the second at twelve cents without destroying your trade? Something like that?

THE WITNESS: Oh, no, I could not do anything like that.

THE CHAIRMAN: The idea is to make up your \$162.00 if you lose \$1.35 on 120 cans; you are losing 16,200 cents, and you are selling in the 1800 cans 72,000 quarts, so you could only reduce it a quarter of a cent on a quart, and that is impracticable, in order to make yourself whole. You can't do it.

THE WITNESS: I am selling ~~some~~ one-quarter of a cent less than the commission asked me to, because I can't help myself. The trade is kicking. They say, "How do you expect me to sell this at eleven cents, dipping out milk?" I have to stand a loss, with the expectation it would be changed.

COMMISSIONER WILLIAMS: You are selling at ten and a quarter cents a quart?

THE WITNESS: In some places I have got to. The customer says, "I can't pay the bills." I have got to do something to help them along. I take a little loss in the expectation that the commission would look into our affairs,

this wholesale milk business.

THE CHAIRMAN: Any further questions?

MR. ALGER: No, that is all.

THE CHAIRMAN: Mr. Miller, do you wish to ask any questions?

MR. MILLER: Yes, just a question. Mr. Levy, can you tell approximately the amount of your company's surplus milk a year ago?

THE WITNESS: I could not; I would have to look that up in the books.

MR. MILLER: Ordinarily is there or is there not a surplus in January in your business?

THE WITNESS: Well, I don't know. It starts to increase in January, around this time of the year, and goes right up.

MR. MILLER: Now, the amount of your daily turnover is about 1800 cans a day?

THE WITNESS: 1800 to 2,000.

MR. MILLER: Then I take ^{it} it/is necessary for you to provide for the daily exigencies of your business, to have some surplus at all times?

THE WITNESS: We have got to have a surplus.

MR. MILLER: And about much is that normal working surplus, or should it be, on a 2,000-can business?

THE WITNESS: About five or six hundred cans, something along there.

MR. MILLER: A daily surplus?

THE WITNESS: Yes. No, at certain times of the year.

MR. ALGER: We are talking about now.

MR. MILLER: I am asking you now.

THE WITNESS: Now? No surplus now.

MR. MILLER: What would be the necessary daily surplus for you to provide for the exigencies of your daily business?

MR. ALGER: You mean at this time, don't you?

MR. MILLER: Yes, sir.

THE WITNESS: Not any this time, this month.

MR. MILLER: Could you foresee your sales with sufficient accuracy so that you can bring to the city the exact amount that you want to distribute?

THE WITNESS: Well, we will run close. We used to run close in January.

MR. MILLER: Yes; I am trying to find out how close you can run with safety, to have sufficient milk to supply the demand.

THE WITNESS: Well, just now we can't tell. It is on and off, the sales.

MR. ALGER: What he is trying to get at, Mr. Levy, is this: Here you have in the month of January - you normally have to have some extra milk; for some reason you get some extra milk. How much extra milk do you generally have to

carry during the month of January?

THE WITNESS: None at all.

MR. ALGER: What season of the year is it when you carry the surplus?

THE WITNESS: Oh, around April or May.

MR. MILLER: Well, by that, Mr. Levy, do I understand that in the month of January that you can forecast the demand from your customers so accurately that you bring into the city the exact number of quarts that you sell to the customers?

THE WITNESS: Why, we bring in just what we take in in our plants.

MR. MILLER: And you manufacture here, do you?

THE WITNESS: No, sir, we manufacture in the country.

MR. MILLER: Yes. What I am trying to reach, ¹—do you bring in any milk to provide for the daily rise and fall of your demand?

THE WITNESS: Well, we always have a day's supply here. We need not carry any supply here for that. We have a day's supply on hand in our factory always.

MR. MILLER: A day's supply of 2,000 quarts?

THE WITNESS: Well, no, not all of that; about 1200 of that in a New York plant, and the balance of it in the country pasteurizing plants.

MR. MILLER: That is all.

COMMISSIONER WILLIAMS: I just want to ask one

question. I want to ask Mr. Levy what he was charging in December for Grade "B" bottled milk?

THE WITNESS: Fourteen cents a quart.

COMMISSIONER WILLIAMS: You have not changed your price?

THE WITNESS: No, have not changed the price at all; we left the same price.

COMMISSIONER WILLIAMS: What were you charging for your dipped milk?

THE WITNESS: \$4.00 \$3.90 and \$4.00; that is 10 cents, 9-3/4 cents.

COMMISSIONER WILLIAMS: You raised that three-quarters of a cent?

THE WITNESS: Three-quarters of a cent in some places, and a half a cent.

COMMISSIONER SHEDRICK: Mr. Levy, can you stand the loss that you are sustaining now for another month, or have you got to adjust these prices up and take chances if this commission fixes a price where you are sustaining a loss like you have spoken of and sworn to here now?

THE WITNESS: Well, I can't --

COMMISSIONER SHEDRICK: (Interrupting) That is, can you tide over this peak load? That is what you evidently tried to do this month?

THE WITNESS: Well, I tried but I can't. I can't continue.

COMMISSIONER SHEDRICK: Is there any milk for

sale in New York? When you are short, can you buy milk?

THE WITNESS: I can buy twenty carloads of milk to day.

COMMISSIONER SHEDRICK: Is that so?

THE WITNESS: Yes, sir.

COMMISSIONER SHEDRICK: But can you buy it for the League price?

THE WITNESS: I can buy it lower.

COMMISSIONER SHEDRICK: Lower than the League price?

THE WITNESS: Yes, sir.

COMMISSIONER SHEDRICK: How much lower?

THE WITNESS: I can buy within eight to ten cents if I can take it off certain people's hands, and I can give mine away at that, too.

COMMISSIONER WILLIAMS: Do you attribute your surplus to what since you have not raised your price? It is not due to any falling off in the consumption, is it?

THE WITNESS: Why, we did not raise the price on the retail, but we are selling our milk - well, our milk is running justabout right. We are not losing any or gaining any today.

COMMISSIONER WILLIAMS: Well, you have a surplus now, but in some instances the surplus was attributed to the increase in price and the consequent falling off in consumption; but you have not changed your price, so to what do you attribute your surplus?

THE WITNESS: Well, in the increase of dairies. Some of the dairies in some places, fresh cows have come in in some places.

COMMISSIONER WILLIAMS: Then you attribute your increase entirely to the production and not reduction in consumption?

THE WITNESS: No, not at all.

MR. MILLER: And have you taken over any additional shipping stations in the country?

THE WITNESS: Not this month.

MR. MILLER: Well, last month, or within two or three months?

THE WITNESS: One place.

MR. MILLER: And how much is the daily receipts from that receiving station?

THE WITNESS: 12 cans a day.

MR. MILLER: That is all you have taken on for several months?

THE WITNESS: That is all.

MR. ALGER: When did you take that on?

THE WITNESS: We opened that last month.

W I L L I A M F. B E R G, called as a witness on behalf of the distributors, being first duly sworn, was examined and testified as follows:

QUESTIONS BY MR. ALGER:

Q Mr. Berg, you are the President of the Standard Dairy Company? A Yes, sir.

Q How long have you been in the milk business? A Thirty-five to thirty-eight years.

Q Your is a wholesale business exclusively? A Exclusively.

Q You have no retail business at all? A None at all.

Q How many plants do you operate? A We operate now ten in the country.

Q Yes, and how many quarts of milk do you take in from those plants? A I guess in the month of December it amounted to something like eight or nine hundred thousand pounds.

Q Well, how many quarts a day? A I mean quarts.

COMMISSIONER WILLIAMS: What was that?

THE WITNESS: Eight to nine hundred thousand quarts.

COMMISSIONER WILLIAMS: Eight or nine hundred thousand ?

THE WITNESS: Yes, sir.

Q And that is all sold as dipped milk? A All dipped milk, yes.

Q Have you got a surplus? A We have now, of about 100 cans.

COMMISSIONER WILLIAMS: 4,000 quarts?

THE WITNESS: Yes.

Q Well, how many quarts is that? A That would be 4,000 quarts.

Q And what are you doing with that surplus? A We are making potcheese and butter.

Q Sustaining a loss on that, are you? A Well, I guess it is.

Q How much of a loss do you sustain on that? A Well, I figured out this morning. Of course, it all depends on what neighborhood it is, whether the trade is high or low; but I figured in one place our loss was about twenty-three to twenty-five cents on a pound in butter, and the cheese I really have not figured what is the loss on cheese.

Q Well, what percentage of it are you turing into butter and what percentage are you turing into cheese, of that surplus? A Well, this cheese I am speaking of, the milk is made into butter and the balance we make into potcheese.

Q That is, the skim milk? A Skim milk, yes, sir.

Q Are you getting more - is this surplus in the month of January a larger or smaller surplus than you are accustomed to get in this month, from your experience in the milk business? A From years before?

Q Yes. A With the exception of last year. I think last year was about the same as this, but before this it was considerable.

Q Considerable what? A Considerable more.

Q This is more this year than it was? A No, this year and last year seemed to be about alike.

Q And this year, compared to other years, is what? A Well, it aint as much as in former years.

Q It is not as much surplus as formerly in your business? A No. I like to mention there, we closed three stations, and that is what that comes from.

Q What stations have you closed? A Natural Bridge and Green's Crossing and Lakeford.

Q When did you close those? A The 1st of October.

Q And you never opened them up? A No.

Q And that is the reason you have not got as much surplus this year as previously? A Yes.

Q Do you find you are getting an increase of milk from your creameries that you buy milk from now? A Yes, we noticed that last week.

Q About how much of an increase are you getting? A I really could not say. It is only, of course, the new cows beginning to come in.

Q And you have reason to anticipate a considerable increase of surplus as the months go on, beginning with this month? A Oh, certainly.

Q Can you give approximately, Mr. Berg, in terms of dollars, the loss you are sustaining every day on surplus? Or haven't you got the figures sufficiently accurate to give that? A I did figure it yesterday. I figured, we lost on

one station \$1.01 on a can, and another station we lost, I think, something like 63 cents. It all depends upon the freight rate that we have up in the country.

Q Upon what? A As we had to pay in the country.

Q You are getting full price for your milk in the city, are you? A Yes, sir.

MR. ALGER: That is all.

THE CHAIRMAN: Any questions, Mr. Miller?

MR. MILLER: Yes. Mr. Berg, can you state the amount that you received in the aggregate for each 100 pounds of milk which you manufacture into both butter and pot-cheese?

THE WITNESS: No, I cannot. I have figures home, but just the way I explained just now, that our loss on a can is in one place \$1.01 and in another place about 63 cents.

MR. MILLER: Yes. I was trying to find out if we could, just where that loss lay. I understand you to say that your surplus milk, you first manufactured the butter and then the skim milk is manufactured into pot-cheese?

THE WITNESS: Yes.

MR. MILLER: And the combined receipts of those two articles is your total receipts for your surplus milk? Am I right?

THE WITNESS: Yes.

MR. MILLER: And you haven't at this time any data to tell us how much the value is of the butter and

potcheese that you make from a hundred pounds of milk?

THE WITNESS: Oh, I could not answer this; but I can say that the loss is entirely on butter, but not as much on the cheese.

MR. ALGER: What is the prevailing price for butter that you are able to get now?

THE WITNESS: We get 49 cents.

MR. ALGER: And how many pounds of butter can you get out of a 40-quart can of milk?

THE WITNESS: That depends.

MR. ALGER: Of course, that depends on the butter fat?

THE WITNESS: On the butter fat.

MR. ALGER: What butter fat are you running?

THE WITNESS: We have from 3.6 to 4.

THE CHAIRMAN: Any questions by any members of the commission?

COMMISSIONER WILLIAMS: I would like to ask Mr. Berg what price he is getting for his milk in New York?

THE WITNESS: \$4.20.

COMMISSIONER WILLIAMS: \$4.20 a can?

THE WITNESS: A can.

COMMISSIONER WILLIAMS: That is for 40 quarts 10-1/2 cents?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: That includes freight, of course, doesn't it?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: Has your supply in this city fallen off, compared with December?

THE WITNESS: Yes, it has.

COMMISSIONER WILLIAMS: About how much?

THE WITNESS: Well, we figure on about seven-five cans.

COMMISSIONER WILLIAMS. A day?

THE WITNESS: Yes.

MR. ALGER: That is, you are able to sell seventy-five cans a day less than you were in the preceding month?

COMMISSIONER WILLIAMS: And what were you asking for your milk in December?

THE WITNESS: I think it was \$4.00.

COMMISSIONER WILLIAMS: That would be ten cents a quart?

THE WITNESS: Ten cents.

COMMISSIONER WILLIAMS: And you attribute the falling off of seventy-five cans to the increase in price of a half cent a quart?

THE WITNESS: To some degree, yes.

COMMISSIONER WILLIAMS: What other factors?

THE WITNESS: Well, we have got competition down in our neighborhood. You know we are entirely on the East Side, and we find lots of trouble with the dealers that produce their own milk on Long Island.

COMMISSIONER WILLIAMS: What do they get for their milk?

THE WITNESS: Why, they get any price. \$4.10, \$4.00. You see, they have no freight to pay, and they do their own work, and can afford to sell cheaper than I can.

COMMISSIONER WILLIAMS: You mean that the Long Island farmers are selling milk on the East Side to quite an extent and take away your business at this price?

THE WITNESS: Yes.

MR. ALGER: What are the farmers from Long Island selling milk for in your district?

THE WITNESS: In the —

MR. ALGER: (Interrupting) Yes, in competition with you. What price?

THE WITNESS: Any price. \$4.00, \$4.10, \$4.15, \$4.05

COMMISSIONER WILLIAMS: They take your trade with that difference in price?

THE WITNESS: Why, naturally.

THE CHAIRMAN: The farmers come in with their own carts?

THE WITNESS: Yes.

THE CHAIRMAN: Milk which they produce themselves?

THE WITNESS: Yes, sir.

COMMISSIONER WILLIAMS: Well, if these Long Island Farmers can, with their real estate as near the city as that, can come in with trucks and can raise milk at \$4.00 and \$4.10

and pay the present prices for feed, why aren't the farmers generally doing it throughout the State?

THE WITNESS: Why, they have no freight to pay.

COMMISSIONER WILLIAMS: They have trucking.

THE WITNESS: Well, that is not much, you see they have cheap labor.

COMMISSIONER WILLIAMS: I think you have got to look for some other reason than cheap labor. Labor on Long Island is \$3.25 a day.

THE WITNESS: Not this class of labor.

COMMISSIONER WILLIAMS: The cheapest they can get is \$3.25.

THE WITNESS: Not this class of labor.

COMMISSIONER WILLIAMS: Well, you think it is due to cheaper labor?

THE WITNESS: That is one part of it, yes.

COMMISSIONER WILLIAMS: And less cost of delivery?

MR. ALGER: What do you really know about what they pay for labor? Is that your best guess?

THE WITNESS: I really could not say, but you know there are times - you know they board them, and I think there are times when they only pay \$20.00 a month and board.

MR. ALGER: How long ago is it since you heard of these fellows working for \$20.00 a month and board?

THE WITNESS: I think it was last fall.

MR. ALGER: You do not know the names?

THE WITNESS: No, only what the drivers told me. I know they have very reasonable labor. They board the whole family.

MR. ALGER: Then they take this milk and truck it over how far out on Long Island?

THE WITNESS: Well, I should think about fifteen miles.

MR. ALGER: And pay the ferriage across and truck it into your district and undersell you in your market?

THE WITNESS: Well, they come across the bridge.

COMMISSIONER WILLIAMS: Mr. Berg, you think the reduction is due to competition in other people selling the milk, not to the people giving up milk?

THE WITNESS: No. They do not use as much since the price went up. Oh, yes, it makes quite a difference.

COMMISSIONER WILLIAMS: The price to them has not gone up, has it?

THE WITNESS: Yes, the storekeepers made a raise.

COMMISSIONER WILLIAMS: Of what?

THE WITNESS: 11 cents, I think.

COMMISSIONER WILLIAMS: They were charging 11 cents when they bought at 10 cents.

THE WITNESS: You must remember both of these storekeepers have sold the greatest part of the fall without any profit; but it just is an adjustment.

MR. ALGER: Now, they think they ought to get a return on their advertising?

THE WITNESS: Well, that is the idea.

THE CHAIRMAN: Are there any further questions?

MR. ALGER: That is all. Is there anything the commission wants to ask Mr. Horton? He is here this afternoon. I understood you wanted to examine him.

THE CHAIRMAN: Does any member of the commission desire to ask Mr. Horton any questions?

COMMISSIONER WILLIAMS: If Mr. Horton has any figures on the reduced consumption.

MR. ALGER: Have you any figures on the reduced consumption?

MR. HORTON: I have some figures on the store business.

MR. ALGER: All right; let us have those.

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L O T O N H O R T O N, called as a witness, being ~~first~~
duly sworn, was examined and testified as follows:

QUESTIONS BY MR ALGER:

Q. Mr. Horton, your company is carrying a surplus of milk now. How much of a surplus do you carry? A. Well, we are making about 1780 pounds of butter a day.

Q. Have you got ~~any~~ facilities for turning your milk into condensed plants? A. Yes, we sell some of the surplus to condensing companies.

Q. What percentage are you able to get rid of in that way? A. The percentage? I do not know what per cent. I think we are selling about, possibly three or four hundred cans a day.

Q. And what percentage of your surplus are you able to dispose of to condenseries? A. About 400 cans to the condenseries is a very small portion of five or six thousand cans; it is only a very small percent. As I told you on the other meeting I am going short on the market all the while. We bought 130,000,000 pounds in the month of December. You can figure what percentage that would be.

Q. And other than what would go to the condenseries you have to make up into butter and cheese? A. We do not make any cheese. We are making some butter, about 1750 pounds a day.

Q. And that is being made $u\frac{1}{2}$ at a loss, is it? A. Yes, a small loss, about 13 cents a pound, I judge. We are

making that out of our richest milk. I see that milk at that factory there has butter fat 4.25. Let us see; butter is worth about 54 cents, Isn't it? Probably 10 to 12 cents a pound loss?

COMMISSIONER WILLIAMS: I understood Mr. Horton to say say his purchases in December were 160,000,000 pounds of milk, is that right?

THE WITNESS: 16,000,000. That is what we bought direct from our own creameries, 16,000,000. I made a mistake.

COMMISSIONER WILLIAMS: About 32,000,000 quarts?

THE WITNESS: Yes. Now those stores, I had a little canvass made, Mr. Williams, to show just what we do in the stores. You people made a price for us to sell at 11 cents a quart in our stores. Of course, you permitted the whole-salers to sell milk at 10-1/2 cents and to deliver it to the stores that retail that, and they claim they could not get out with it at that. So we naturally can't charge our stores only 10-1/2 cents and sell it at 11 cents. You cannot get over 38-1/2 quarts out of a can, so we are paying our help, running our stores, and doing business for charity. Those are the figures.

Now, I will tell you, we are selling our bottled milk at 14 cents— at least we are supposed to do it— If the storekeeper complies with our orders . I went down to the lower east side where we went in there. I know the

THE WITNESS: I have over a hundred stores all told; but that is figured on the east side in the congested districts, in Harlem and in the Bronx, where those poor people go, locations where they have no facilities to keep things cold, only the window sill or something like that. I have tried to encourage it, but when you people go to work and say I have got to sell milk for actually what it costs me to send it to the door, and pay rent,-- as soon as my leases expire and I have all short leases, I will close them up. You have given me no encouragement. They say the stores have been left out before the 1st of January. I absolutely refuse to sell anybody a pint of milk in a store under consideration. My men used to get .7 cents a quart on their sales for every quart over a certain number, and if they could supply a store that could take 50 bottles, see what they could get. I had to put on a detective force to watch them, and whenever I could catch a man I had to discharge him. It meant discharge if I found a man leaving a pint of milk to a customer other than retail trade. These people will buy our milk and pay us full price. Last Sunday I went to a delicatessen store, I wanted some milk at night and I said I want a quart of milk and a bottle of cream; and they charged me 16 cents for the bottle of milk and 24 cents for the cream; and I looked at the darn bottles and they were mine.

Board of Health would like to have all milk sold at regular dairies where there is nothing to contaminate it; and to encourage the Board of Health we have opened a number of stores, and we are depending on those stores to pay the rent and expenses out of what we sell at the stores. We are not running these as a side show or advertising medium, but we are trying to give the people a safe milk at a reasonable cost. I have had bacterial analyses made of my stores, and the increase in the bacteria count between our stores that are run that way under normal conditions, does not increase in lactic acid 10 per cent of what a bottle of milk does. I claim that we are keeping these stores open in the summer time, when it is the most trying, from 4 o'clock in the morning to 10 o'clock at night, and that I can keep the mortality down lower than you can by delivering a quart of milk at 5 o'clock in the morning where the people have no place to keep that milk all day long. Those people can come in in the morning and get fresh milk, they can come in at noon and get fresh milk, and they can come in at night and get it, and they can fix it for their children, and they do not have to have any ice where, of course they do not have ice.

THE CHAIRMAN: In the stores, the milk is kept iced?

THE WITNESS: The milk is kept iced all the while.

COMMISSIONER BROWN: How many stores have you got, Mr. Horton?

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will guarantee that very often you find that cream down to 15 and 16 per cent. See what it is worth -- 50 or 60 cents a quart. A dollar right there. You have to take these samples all the while. You people that are laymen do not know anything about the business. We have to have these people with a detective force all the while to find out this things. For instance you take the Board of Health, you get a sample of milk from a customer that we are supplying. They will analyse it and find it two per cent butter fat. Now, instead of notifying us that there is something wrong, they will go there, and find out what time our man goes there, and when that wagon comes they will go in the wagon and inspect the bottles; and if they find a bottle without cream on it they will take it out and we are brought up in Special Sessions.

The way we seal this Grade A milk costs an enormous amount of money. I suppose, for those caps alone, it costs us over \$16,000, without the labor, and then the rings..... And that protects the people, and they get what they pay for. What is there to stop a man from taking a dozen bottles of milk to an apartment house and taking and pouring the top of the 12 bottles into one and having 11 bottles of skimmed milk and one bottle of cream, which he can sell for 84 cents. How can you catch him at it, unless you are on the alert? If a customer notifies

COMMISSIONER WILLIAMS: Did you pay a deposit on the bottles too?

THE WITNESS: I did not say a word.

COMMISSIONER WILLIAMS: You mean to say he gave you for 16 cents a bottle and a quart of milk?

THE WITNESS: Yes, a quart of milk.

COMMISSIONER WILLIAMS: The bottle is worth 5 cents?

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: So that it is 11 cents—and it is your own milk?

THE WITNESS: Certainly it is my own milk.

COMMISSIONER WILLIAMS: You could take that bottle back yourself and get 5 cents for it?

THE WITNESS: No, you could, because he did not charge me that.

COMMISSIONER WILLIAMS: You could take it back to your own office?

THE WITNESS: Yes; I sent it on the elevator and took my chances and got it back. It is surprising what is in this business. I made a canvass and sent some canvassers around in order to keep out of the special sessions. You have got to have a detective force in order to do business. I could not run those stores unless I took three times as many samples out of those stores as the Board of Health takes? Do you realize that? —

You take and send down a can of 40 per cent cream, sour cream among those stores, and test it yourself, and

the law says 18 per cent, and I

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us that she has received a bottle of poor milk, we ask her to save it, and we send ~~it~~ a man for it and we bring it to the laboratory, and test it. We have a large force to do that, and all that runs into thousands of dollar ars, for protecting the public, and nobody realises it.

I find a certain company here is selling the milk on their retail wagons for 15 cents a quart to stores, to sell it for 17 cents a quart without a deposit, and the company does not know it is being done. And that same company has got a business where they are selling milk with a deposit. They do not know it, but I know it, because I have my detectives out and find out . I found out here that one of my men was selling a pint of milk for 10 cents, and charging 1 cent deposit for a pint bottle. All those conditions come up to confront us. The heads of the company are willing to do it, but everybody is not honest, that is all there is about it; and they are working to get what they can out of it, and the more you get struck for labor conditions, the worse the conditions are. We have our troubles.

MR ALGER: Now you are going back, Mr. Horton to when you start your detectives out. Tell us something that you found out.

THE WITNESS: Start them out whereabouts? Do you want to see some of them?

MR ALGER: No, you just started to tell us something

about it.

THE WITNESS: As I say, I go to certain stores at different places; I go to one of our stores where they are supposed to sell milk, if a person pays cash and carry I go to 508 Columbus Avenue, and they charge 15 cents a quart and I do not say a word. I go to another store, 90th Street and Columbus Avenue and get a bottle of Borden's milk and pay 20 cents for it and 5 cents deposit. They are supposed to sell it at 14 cents. I go to another one on Columbus Avenue and 96th Street, the Central Dairy Company, and pay 20 cents a quart. And so on.

Now, I find one of our stores, 81st Street, sold a quart of milk and sold it for 14 cents, and I takes down here-- here is one of the flaming troubles that I have-- I find here one of our men, 165 East Broadway, bought one pint of milk and charged 10 cents for it, and one cent deposit. Who told that man to sell it at 10 cents a quart, and who told him to charge one cent deposit? Nobody. We told him to sell it at nine cents, and trust to God to get the bottle back.

Now, here are different stores with different grades of milk and different prices all the way through. As I tell you, here is a store at 84th Street and Broadway; one quart of Grade A milk at 17 cents a quart, and no deposit? Another store, Miller Brothers, 3646 Broadway, one quart of Grade B milk at 17 cents a quart and no deposit.

Now, that is the difference, Mr. Williams.

COMMISSIONER WILLIAMS: Without a deposit?

THE WITNESS: Without a deposit, and charge them 17 cents. Now, they are paying that man 15 cents a quart for that milk. That company is getting beat; they do not know what he is serving. They think he is serving family trade. Those are the conditions. It was brought to my attention the other day; and I immediately called my men together yesterday and I said, "to-morrow morning get into your automobiles, and I want you to go and have another man stand around the corner, and see what is going on." And they brought in four automobile loads of those samples of that milk, with all those conditions.

COMMISSIONER WILLIAMS: Do you suppose in that case they were asking 3 cents for the bottle and 14 cents for the milk?

THE WITNESS: This man was buying the milk from this party and paying 15 cents, and the driver did not care if the bottle ever came back, or the storekeeper, and he got 3 cents profit. He invested 15 cents and got 3 cents profit. I suppose if I keep them out two weeks I will have hundreds of them.

Now, I do not want to be brought up before this Federal Commission and have them say that I am violating intentionally things that I can't control, but I am going to try to control

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then, I want a living profit, and I am willing to try and control it within the rulings of this Commission.

COMMISSIONER WILLIAMS: Mr. Horton, one of the reports submitted this morning shows about 10 cents as the cost of milk in November,

THE WITNESS: 10 cents cost where?

COMMISSIONER WILLIAMS: I will give you that exactly. It is the report we have here, two reports,— the Empire State and Bordens.

THE WITNESS: November or December?

COMMISSIONER WILLIAMS: November.

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: And the cost up to delivery was \$.10023, and the purchase price was \$.077 in the country. Now, I understand the present price for January will be \$.082, which will be five mills higher.

THE WITNESS: What about the butter fat?

COMMISSIONER WILLIAMS: I know; but I am taking 3.8.

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: And that would make this about 10-3/4 cents a quart delivered, if you add that full amount, which of course should be done.

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: Now, the delivery cost here, the total amount delivered was 238,000 quarts, at 1-1/2

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cents— 6 mills and a little over. That would be $10\frac{5}{4}$ cents, and $1\frac{3}{56}$. That would be 13.3 cents as the cost of the Empire State Dairy Company, doing 238,000 quarts. With the new differential added, that would be $13\frac{1}{3}$. The present price for that milk in the stores is $13\frac{1}{3}$ cents as allowed by the Board for the month of January.

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: Of course, those allowances include milk at the very highest price to the producer. Now, with that difference— at one of our hearings I thought you said you would be glad to get four mills a quart net profit.

THE WITNESS: $\frac{3}{8}$ of a cent net profit on everything that I sold.

COMMISSIONER WILLIAMS: $\frac{3}{8}$ ths how much? Is that in mills?

MR ALGER: All the milk that you bought.

THE WITNESS: All the milk that I bought, yes sir.

COMMISSIONER WILLIAMS: So you say that would be about $12\frac{3}{4}$ cents wouldn't it? Yes, 12.7 is the figure you said you would be glad to do business on; and the question is in mind whether for that store delivery service, these figures do not really justify some such change as that.

THE WITNESS: Well, I will tell you, those figures are just exactly the same as the figures we get. There is no

man I do not believe, in the month of December, who is going to possibly break even, in distribution and the loss. When I go downstairs and see in one day in one of our branches over 6,000 quarts of milk, bottled milk, all gone, and all you get out of it is what? Is \$6 a ton for the glass. In one day. And when you see that your automobiles out of all the automobiles we have, 17, only 4 left that are able to turn a wheel, with every stable pretty near frozen up.

Why, gentlemen alive, you can't conceive the expense. \$15,000 to \$25,000 would not cover our expense of loss that way, loss inside of 13 days. You can't. If you do, just come up, and I will show you my place. I have been in business 45 years, gentlemen, and God knows I hope I never have to go through two weeks as I have had to go through this week.

COMMISSIONER WILLIAMS: It has been a rough Winter.

THE WITNESS: It has been a rough Winter?

COMMISSIONER WILLIAMS: But wouldn't your problems be simplified if the amount of milk delivered in this manner were to be increased?

THE WITNESS : Increased in what way?

COMMISSIONER WILLIAMS: Speaking of this wholesale milk.

THE WITNESS: How are you going to increase it when the

people are economising even to the paper, which has been advanced one cent? They are economizing.

MR ALGER: 100 per cent.

THE WITNESS: Yes. And we are all going to learn and it is going to carry on after this war. You cannot force a sale when the people are trying to economize and use everything. Everything is for what? It is to protect our country; it is to get things for our men and food to France and England; and you can't force these sales. Why have I taken off my men? Because I can't force them. I have got to let them buy just what they will buy. It is beyond the power of any living man to make the people buy more than what they absolutely have of necessity to buy to-day for their family.

COMMISSIONER WILLIAMS: You are saying just what I am saying, that any reduction in the price would tend to increase the sales.

THE WITNESS: I think down on the east side—I have made a canvass down there — they are not— most of those people there are pretty good wage earners; they are not as suffering as much in proportion as some other people. The people that I find are suffering, that are denying themselves are men that — for instance, we will take our school teachers, we will take our professional men, we will take people with salaries that have not been raised, still their expenses keep soaring. Those are the

women that the laboring men do:

they are the ones that suffer . Of course, you do find conditions of people sick, and misfortunes and such as that, and dissipation to some extent; but the people who are denying themselves are that class of people more than any one else in this country, in my estimation.

COMMISSIONER WILLIAMS: Getting back to these figures; take this Empire State Company, the November cost of delivery, inclusive of everything except interest, was 11-3/4 cents. I am speaking now only of the wholesale business. And the Borden figure was 12-3/4 cents.

THE WITNESS: Was that for November?

COMMISSIONER WILLIAMS: Yes.

THE WITNESS: Well, I will tell you —

COMMISSIONER WILLIAMS: (Interrupting) Don't you think it would be a distinct public service to increase that branch of the business?

THE WITNESS: Which branch of the business?

COMMISSIONER WILLIAMS: The wholesale.

THE WITNESS: Wherever the people can, but I believe where we are going to get it principally is always in stores.

COMMISSIONER WILLIAMS: This is the store service?

THE WITNESS: By stores , I mean that it is naturally going into dipped milk; it is not going into bottles. The people are not going to buy bottles. The people that have to wash and carry are going— I mean 90 per cent are going to get the loose milk, and it is good that they do it.

I will tell you another thing, if the war continues 18 months longer, the manufacture of glass with all those conditions— I doubt if we will have bottles enough to bottle anything but special milk, such as certified, or some particular milk of that kind. We will have to go back to the dipped milk, it is getting so destitute. And the sooner the people realize it and do it the better. I am against my own interests, talking about taking my wagons off; but I believe I can keep the mmortality down, particularly through the summer months with the conditions and dairy run properly, sanitary, keeping the milk cold, and the people can get the cold milk any time they need it for their baby. I believe I can do it.

Now, I have got the figures. Before, you came to us and wanted us to show what we paid for butter fat and I ent and had it worked out all in detail now for the month of December. Now, you say 3 per cent butter fat. Why don't you say 2 per cent or any other butter fat? Now, as I tell you, we bought 16,000,000 pounds of milk. We paid \$557,000. It costs us \$3.71 a hundred, which is 7.37 cents per quart in the average. The test was 4.7. There is 25 per cent more butter fat in the milk than the legal standard. I say this condition, where we have milk running up, as we do have it, 4-1/2 and 5-1/2 per cent butter fat, and have to bring it down here, and we

know we are losing money on it, and we sell that milk on a par with other milk with our legal standard. What? I am giving them 60 per cent more in actual butter fat. I will tell you what the butter fat test was. Canton butter fat test for the whole milk was 4.80.

COMMISSIONER SCHEDRICK: Are you through with the direct examination of Mr. Horton? There is a question or two I would like to ask him.

MR ALGER: I was just calling to Mr. Horton's attention—I just had placed in my hands from the Farm Company's office, a comparative statement of creamery receipts taken at random from about a dozen creameries, showing that the Canton creamery increased its receipts from 2591 quarts to 3448 quarts on the 24th of January; runs from 2,000 to 3399.

COMMISSIONER MILLER: Is that due to fresh cows, Mr. Horton?

THE WITNESS: I could not tell you.

COMMISSIONER MILLER: It is not due to increased production of the same cow?

THE WITNESS: No, I think it is fresh cows, because you know they are all better.

MR ALGER: You show in these 14 plants an increase of 9645 quarts in that period.

COMMISSIONER FULLER: Well, it is due to fresh cows rather than to high price for milk.

MR ALGER: Well, whatever it is due to.

THE CHAIRMAN: Are you through with the direct examination?

MR ALGER: Yes.

COMMISSIONER SCHEDRICK: Mr. Horton, this matter of surplus is nothing new to you, is it? You have always had surplus?

THE WITNESS: No, it is nothing new; we have always had a surplus.

COMMISSIONER SCHEDRICK: Tell the Commission what you think is the logical way to handle surplus. Now, taking a concrete example, when the city does not take the amount of milk which the farmer produces in the country and you have then a surplus, how would you arrange prices, or how could you best conserve all interests and take care of that surplus?

THE WITNESS: There is only one way that I can see about it. The only way I can see is the same as it always has been taking after the 1st of January—naturally the supply commences to go up. I fully appreciate with the expectation of the increase of production, that it costs just as much to make milk in February as it does in January; it costs just as much practically in money to make milk in March as it does in January or December. I appreciate those things, but how has that thing been evened up? No man could buy and agree to take all the milk that was produced

and stand a loss of say a dollar a can or whatever it may be— take all of that milk, any more than he could afford to buy, you might say, all the apples that could be produced at \$6 a barrel for next year and not know whether he could sell them for \$6 or \$3. These prices have always borne down and it has always been a hardship on the producer to produce milk in March and April. April has been a most disastrous month. I know at times the farmer has not got enough money from his milk to pay for his feed in that month when things are normal. But here is a condition that has got to be evened up somehow, and the only way I can see is that when production is going down to keep the price so that it pays for the cost of producing it. Do not expect to take his output and carry it. The dealers have got anyhow to take care of a certain amount of that; but it has got to be evened up. For instance, you had cheese last year, or milk last July, what was it? \$1.90, \$2 for 3 per cent milk. I have got nearly a quarter of a million pounds of cheese in storage to-day for sale, that to-day with the market up to 25 cents I will lose \$47,000 on my make last year,— hoping for a price that I thought would go like it did last year and holding it there waiting for a price. Now, I said to my managers the other day, last month, I said, "The price of cheese, selling at the cheapest store, is 33 cents. They go to

a delicatessen store and pay 40. Put that cheese— we figure it costs 29 cents a pounds— let us go to work and put big placards in our stores and sell that at the rate of 29 cents a pound." Do you know how many cheeses I sold last month more than the month before? In a hundred stores I did not average one cheese to a store. I do not know what is the matter with the public. I guess they think I am a faker because I put the price down. Just think of it. I have the figures for you.

COMMISSIONER WILLIAMS: Your 29 cents is a bit above the retail price.

THE WITNESS: No, it is not. You can go to Butler's but you do not get twin cheeses for that.

THE CHAIRMAN: Mr. Horton what plan would you adopt to serve the interests of all concerned for handling this surplus?

THE WITNESS: I do not know.

COMMISSIONER SCHEDRICK: Mr. Horton, here is none question I would like to ask you.

THE WITNESS: I do not know what to do. I am in just as big a quandary as all of you. I am like a bubble, floating along and hoping the war will stop and we will get somewhere. Keep myself together, that is what I am trying to do.

COMMISSIONER SCHEDRICK: Mr. Horton, this surplus, what plan— if, for example— I am just taking an example,

which I understand is going to be worked out in Philadelphia, for instance, that they reduced the price to the consuming public one cent; reduced the price somewhat to the farmer, enough to allow the reduction of the one cent; make your surplus disappear in both ways, when the consuming public takes more on the reduction it will help sell the milk, and when your farmers naturally produce a little less, feed a little less feed possibly, or try to get him to produce more; in other words, so that it will help to relieve the situation. What do you think about that?

THE WITNESS: Now, in regard to price reducing, I do not believe that the price reduced to the consuming public will amount to, at the largest, over two per cent. If we put our milk down to 14 cents a quart to-morrow, I do not think in bottled milk it would increase the consumption of bottled milk two per cent. I do not think it will over that. Now, of course, as I understand about the farmers, they are feeding very sparingly, and at the cost of feed, I do not know how they can feed much less, unless they starve the cows to death pretty near. It has not been stimulating.

Of course, the amount of milk in the milk belt in New York to-day, in ordinary times we would expect it to be used in New York City; that is going into evaporated milk, over 750,000 quarts of milk. Ourselves, we are working

plants to try to dodge a large portion of that loss that we suffered last year, in putting up a condensing plant and evaporating plant, and hoping that we will get them done in time enough so that we won't have to suffer that loss, because the government will probably will take our milk and give us at least cost, so that we won't suffer a loss. We are trying to finance that. We are taking the milk really out of the milk belt of New York. Of course, if the price goes down to the producer, it naturally— if it is not remunerative to him he is naturally going to curtail. He is going to do all he can to keep the supply down. He is getting ready for Spring and his cow commencing to calve. Why, it is just like a railroad train started with no engineer, gets going, and they can't kill them, and the milk comes for a while, and it reflects six months afterwards.

THE CHAIRMAN: Do you know of the suggestion made by Dr. North, that we have two prices on milk, a price for what would be called whole milk, that which you sell as raw milk, and a price for the milk which you must convert into butter and cheese; and that each distributor be asked to keep a record of the two kinds, and that a price be fixed of the amount going into butter and cheese that would correspond to the returns? Have you known of that plan?

THE WITNESS: I have read the whole thing, yes.

THE CHAIRMAN: Do you think it is feasible?

THE WITNESS: I do not think it is feasible, no. I do not. I will tell you my reason why. When I have not got to use any precaution how much milk I buy, I contract to take it for a year, and like last June, I manufacture 54 per cent of 31,000,000 pounds of milk into cheese and butter. If the farmer had to take what I got out of it, it would eat into him pretty hard, I think, and it would be dissatisfaction. There would be thoughts of irregularity and many other things. I do not see any way at all, Gentlemen, with the exception of, as I say, kindly govern the price, not put it down to manufacturing prices, but let the purveyor stand a certain portion of it, and grade the price according to what the supply is. Now, I think that is— I did one time try to put out a contract with our farmers. They thought it was very fair. We offered to pay for an inspector to stand there and see how much we manufactured and to manufacture that for them for practically nothing, but they did not take to it kindly and when I thought it over the second time, I did not know but what there would be a lot of unrest and there would be a lot of suspicion that it would be hard to convince. That is what I am afraid of.

THE CHAIRMAN: You think the only practically way then is for the distributor or purveyor as you call him, to take all the milk the farmer produces and then arrange a price that would let both parties out?

THE WITNESS: Yes. At certain times of the year -- now, for instance, the increase is not so much just at the present moment; but you have got to forecast, commencing the 1st of February. You are going to see it flush up pretty fast. We have now many people want to start their milk, want to freshen their cows, which we are holding back. Notwithstanding the sales in our business are going to fall off very much after the 1st of February. If they can get trains from here to Washington to get down to Palm Beach, we drop off thousands and thousands of quarts of trade. If they can get trains to Washington to get them to the southern, they are going through.

THE CHAIRMAN: Is there any way you can forecaste the amount of surplus milk?

THE WITNESS: No; it is a guess, but as I say, we are going short ; I am trying to keep just as short as I can on the market.

MR. SHCEDEWICK: Mr. Horton one other reason why that scheme of Dr. North would operate badly, isn't it for the reason that the condenseries and other concerns that have no surplus would be paying the price, and it would be pretty hard for the fluid men to keep the farmer satisfied when they have that competition, unless there is some pooling arrangement, though I do not think it could be worked out?

THE WITNESS: Take the condenseries, it is the condenseries, of course, and the condenseries are here to-day .

THE CHAIRMAN: Do you run a condensery?

THE WITNESS: No, but we are going to have them as soon as we can have them installed. We hope to have one of them going in 45 days and another one in 70 or 80 days.

COMMISSIONER FULLER: Isn't it a fact that condensed milk is short on the market now?

THE WITNESS: I am not in touch with it; I do not know. I think the government has gone in pretty strong on the last two or three months. I think this is as near as I can find out.

COMMISSIONER MILLER: I have been informed that people going to the stores here in the city to purchase condensed milk, if they ask for two cans they wont sell them but one.

THE WITNESS: Well, I guess that ---

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COMMISSIONER FULLER: I wonder if that is the condition.

THE WITNESS: I guess it has been. Three or four or five months ago, then I heard they had lots of it.

COMMISSIONER FULLER: We had the testimony of Borden's concern this morning to the effect that they were selling all their surplus at cost and better than cost for condensed milk purposes.

THE WITNESS: Well, we are selling ours, what we have. You see, if you happen to have a creamery down near one of those condensories where you can get it delivered for fifteen cents a can, you can get in and suffer no loss; but if you are away off and have another road, two freights and all that, it is a terrible loss. They can't touch it. But certain times of the year it does not make any difference if they use it, if we happen to be near Wilde and Hires, though we have not been selling any milk to them.

COMMISSIONER FULLER: If that were the condition, the surplus would not annoy you, would it?

THE WITNESS: If we manufacture it all up. If I have enough money and have my condensories all going, I will take a gamble on it.

COMMISSIONER FULLER: You have got to have quite a big amount of milk to justify opening a condensory, haven't you?

THE WITNESS: Yes, you would have to have at least

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seven hundred cans a day at all times.

COMMISSIONER SHEDRICK: Nobody know how long that condition is going to last, Mr. Horton?

THE WITNESS: No.

COMMISSIONER SHEDRICK: And nobody wants to gamble that hard. You would not yourself, if you considered what it meant.

MR. ALGER: Dr. Jordan, if you find out how many condensed milk companies were started in the last nine months, you would get some startling information.

THE CHAIRMAN: Can you give us figures?

MR. ALGER: I can't. If it were looked up, it would be a very large number.

COMMISSIONER WILLIAMS: Do you feel about a lower price for surplus milk to the consumer as you do about a secondary price to the farmer? What I really want to ask is this: With all your practical acquaintance with the subject, do you think it would be practical in any way to take this surplus milk which you transfer into butter and cheese at a loss anyway, and sell it at a secondary rate to the public, so as to meet the criticism that the milk supply of New York to day is short?

THE WITNESS: Well, you mean for me to take my surplus milk? How would I sell it?

COMMISSIONER WILLIAMS: A great many lines of business have two rates: that is, taking the extreme. You take

Liggett - I think it was the Liggett Drug Stores, who sold one thing for one price and for a cent more for the second article. It was a selling campaign. I merely bring that to your attention to illustrate the point.

THE WITNESS: I do not see how we can do that.

COMMISSIONER WILLIAMS: Suppose you said to the woman "You take the first quart for fifteen cents and I will give you the second for twelve cents, cash and carry." I have used the figures purely as illustrative, but suppose you gave your surplus milk to the retail stores for a second can at a reduced price.

THE WITNESS: Retail stores; do you mean our retail stores?

COMMISSIONER WILLIAMS: Yes, and all the other stores that would handle it. I mean, during the war, while everybody is under criticism, because of the shortage of milk - not for the quantity, but because of the price. Do you suppose any plan could be worked up?

THE WITNESS: I tell you how that would work out; it would be just like the Riker Drug Store. You go into Riker's and buy a pound of candy for twenty-five cents, and for twenty-six cents you get two. I go to a lady and say, "This is fourteen cents a quart. You give me fifteen cents and take two quarts." She would take two, and the next day she would not take a bit. Do you see?

COMMISSIONER WILLIAMS: Well, what I am asking is

this --

THE WITNESS: It would be just the same way. I will put an illustration. You are in the electric light business, aren't you? Isn't that your business?

COMMISSIONER WILLIAMS: Well, I have been.

THE WITNESS: You have a great deal of energy, don't you, from the first day of April to the first of September. You charge what? About eight or nine cents a kilowatt?

COMMISSIONER WILLIAMS: Hold on; you are wrong. I hope you are not as far off in your illustration as your figures.

THE WITNESS: Well, I say six cents. Suppose you sent a notice to the public, "Here, we have a lot of energy, we are paying our engineers; we are going to let you have all this electricity for this summer for four cents a kilowatt. How much more would they burn? They would not burn a cent all the way.

COMMISSIONER WILLIAMS: Now, wait a minute. You asked a question and answered it yourself. Now, let me answer it. I want to tell you that the principle of selling electricity along the lines to which I have just referred has been one of the most profitable things the electric companies have ever done. They have what they call their secondary rates, and the gas companies are doing the same thing, very profitably. That is, you charge a

to take care of your over-

head; and the first transaction takes care of the overhead, and after that is paid, later transactions are carried on without an overhead item.

THE WITNESS: Yes.

COMMISSIONER WILLIAMS: Why can't you do the same thing with this surplus milk?

THE WITNESS: Well, I am telling you —

COMMISSIONER WILLIAMS: I am asking you, with all your practical knowledge — I understand you are the best informed milk man on the subject.

THE WITNESS: Oh, no.

COMMISSIONER WILLIAMS: Some such plan might be worked out.

THE WITNESS: No. I will tell you, they might take it that way, but there would be a loss. It would not increase the consumption. It would in the summertime, where it would sour and they would have to buy the next day. That would be the only way.

COMMISSIONER WILLIAMS: I understand the milk supply of New York City is practically half a million quarts a day short, reduced because the price has been increased. If you can find a way to lower the price, wouldn't you get that service back?

THE WITNESS: No sir, you will not. You will find a great portion of that has gone into evaporated and condensed milk. They think evaporated and condensed milk is cheaper, and they will buy a can of it. For instance I have a partner who keeps a can of condensed milk in his house all the while. I said, "you ought to be put out of the business." They claim it is cheaper to buy that kind of milk, and people are looking— people are economizing.

COMMISSIONER SCHEDRICK: The sugar situation has a lot to do with their buying condensed milk.

THE WITNESS: Certainly.

COMMISSIONER KITTREDGE: May I ask Mr. Alger if there are so many new condenseries started— I heard last night, when some one went to a grocery store and said they wanted condensed milk they were told they could not get condensed milk, but could get evaporated milk. Why is it they can't get it?

COMMISSIONER SCHEDRICK: Sugar is the answer to that. The government is curtailing that.

COMMISSIONER WILLIAMS: The new crop is coming in.

THE CHAIRMAN: Yes, but in the past the sugar has

been short.

COMMISSIONER SCHEDRICK: They can't increase the sugar, but you can get evaporated.

COMMISSIONER KITTREDGE: Yes.

COMMISSIONER SCHEDRICK: People want it just for that reason, for the sugar .

COMMISSIONER WILLIAMS: The price is increased, and yet the supply has enormously increased at the same time.

THE WITNESS: What is that? Evaporated milk, you mean?

COMMISSIONER WILLIAMS: No, I am thinking of the fluid milk in New York.

COMMISSIONER SCHEDRICK: I did not get that, Mr. Williams. Will you repeat that?

COMMISSIONER WILLIAMS: I say the price has increased and the supply has increased. The evidence is that there is a superabundance of milk, yet the price is high. It is considered too high, so that many people are not buying milk.

COMMISSIONER SCHEDRICK: What has that got to do with the supply?

THE WITNESS CHAIRMAN: I think that is an inconsistency. When you increase the price, you are likely to increase the supply.

COMMISSIONER WILLIAMS: It may be an inconsistency, and I am anxious to find some solution which will reduce

the cost and increase the consumption.

MR ALGER: I think that is all to-day, Mr. Chairman.

THE CHAIRMAN: We will close the public hearing and go into executive session.

(The Commission thereupon, at 4:30 o'clock P.M. adjourned the public hearing and went into executive session.)

MEETING of the FEDERAL MILK COMMISSION FOR THE MIDDLE STATES, held at the office of the New York Federal Food Board, No. 330 West 57th Street, New York, on Saturday, February 23, 1918, at ten o'clock A. M.

There were present:

MR. W. H. JORDAN, Chairman,
LUCIUS P. BROWN,
CHARLES M. DOW,
BRADLEY FULLER,
MABEL HYDE KITTREDGE,
S. C. SHEDRICK,
EUGENE SCHOEN,
ARTHUR WILLIAMS.

GEORGE W. ALGER, Counsel for Distributors
JOHN D. MILLER, Counsel for
Dairymen's League.

Chairman Jordan called the meeting to order.

CHAIRMAN JORDAN: Have you anything to say, Mr. Miller?

MR. MILLER: Only this -

CHAIRMAN JORDAN: If I might suggest of record that Mr. Davidson, Director of the Dairymen's League who has charge of the sales of the Dairymen's League feed, reports to me that those feeds are \$3.00 a ton higher than they were one month ago, which would make it \$1.00 higher than they were two months ago. We have some reports that hay is selling higher, but nothing authentic.

May I ask, Mr. Miller, what has been the general attitude towards the price fixed for February?

MR. MILLER: I haven't heard personally very many complaints. I have heard some, but I understand that throughout

the territory there is a feeling on the part of the farmers which has come through the directors who report from their different districts - that there is a strong feeling on the part of the farmers that there should have been a recoupment. I explained to them - I made the statement I made to this Commission at the last hearing - that if a recoupment for February meant an additional raise in price to the consumer that we preferred that that recoupment be postponed; and so I have assumed myself a partial responsibility for that postponement.

COMMISSIONER DOW: Mr. Chairman, may I ask when Mr. Miller suggests that recoupment be made?

MR. MILLER: I believe it should be made commencing with March, Mr. Dow. Even if so large a part of the recoupment as may be made in later months be not made now, some recoupment or statement should be made by the Commission as to what they are to expect. It will have a satisfying effect on the farmers that there will be some recoupment. Of course, they are computing that the loss in December was thirty-two cents a hundred.

COMMISSIONER FULLER: It is a little bit more, based on the January price. It is forty-six cents based on the price fixed in January. In other words, it is 12 per cent higher in December according to the scale than it is in January; and figuring on that basis it makes approximately four cents above the price for December or 3.56. I have a statement all prepared on that when we get to it.

MR. MILLER; Ub In connection with that, I was in Washington where there was a meeting of the Federation of Farm Organizations, which included all representatives of all classes of farmers. There were representatives from forty-two States. It was the unanimous report from representatives from the corn belt that 75 per cent of their corn is soft; that it must reach the drying terminals before warm weather or else it will be spoiled. At present on account of transportation difficulties they are able to move but very little of it. From the wheat belt the report was that farmers are feeding good whole wheat to hogs because under present prices it was the cheapest hog food to be had.

The report I mentioned was released for publication only yesterday, I think. It is headed - "Preliminary Report for 52 counties. Agricultural census for New York State taken about February 1st by New York State Food Commission with assistance of the Farm Bureaus and Schools of the State." I will be very glad to offer this if any party desires. It is a long voluminous report.

MR. ALGER: There might be something in it germane to the work of this Commission.

CHAIRMAN JORDAN: Read only that part in which we are interested.

MR. MILLER: . As to the heiger calves I will read into the record from this report:

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MR. MILLER: Dr. Jordan, the Commission would be interested in information that has come to us as the result of the census of the cattle population recently made. Mr. Manning of our organization informs me that such census will show 85,000 less heifer calves being raised now than one year ago; that the number of dairy cows in the State is only about 4,000 less than one year ago. This fact, of course, can be taken in connection with the fact, and which is already of record, that the census taken last April showed an increase in the cattle population of the State of about 3 per cent over the year previous. The present census shows a decrease of 4,000 cows.

COMMISSIONER FULLER: For the purpose of the record can you state to the Commission the condition of the feed market? The inability of the farmers to get different kinds of feed that go into what we call milk rations?

MR. MILLER: It is very unsatisfactory in many localities bran and gluten cannot be had. Occasionally a miller will get in a carload and then he immediately distributes it to the farmers.

COMMISSIONER FULLER: The Government has made certain rules with regard to whole wheat in this connection.

MR. MILLER: The shipping of whole wheat will result in less dairy feed in this country.

COMMISSIONER FULLER: Mr. Miller also has something in connection with corn feed, the condition of the whole corn in the West being shipped.

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Heifers under 1 year old to be raised for dairy cows	189,977
Number of heifer calves under 1 year old to be raised for dairy cows a year ago	374,565
Dairy cows and heifers, 2 years and older	1,262,213
Dairy cows and heifers 2 years old or older a year ago	1,266,043

I will submit this report to you, Mr. Alger, if you care to read anything into the record.

MR. ALGER: I am going to put on Mr. Sanford, who has made up some figures. At your session this afternoon I want to go into some matters we haven't gone into yet before the Commission; that is, the crisis confronting us in the milk situation next month. I could not do that this morning. I anticipate that the producers will have enough to occupy the Commission this morning. I can, however, put in some figures now, and the rest this afternoon. I wanted to have you understand the condensed milk situation. I recollect at the last session we were talking of this surplus of milk. It was not injuring the large distributors. Borden had over 4,000 cans a day of surplus milk which was not costing them much because they had the Parent Company ready to take it off their hands. Other companies not connected with the condensed milk business were suffering a loss and others are just being carried along. The conditions of the condensed milk business cannot be overlooked now. That is why I shall put on a witness familiar with the situation, a very threatening situation, in order that the

producers as well as ourselves may understand what this new war situation means in the way of difficulties which some of us have to meet.

DR. JORDAN: Some of the members of the Commission have interested themselves in that problem and have held a consultation with Mr. Scudder at Washington. I expected to have a statement from Mr. Scudder at my hotel today.

MR. ALGER: It was Mr. Scudder of whom I was thinking as a witness this afternoon. I have some figures for December which I would like to put on the record.

MR. FREDERIC H. SANFORD, being duly sworn as a witness on behalf of the distributors, testified as follows:

BY MR. ALGER:

Q You are connected with the firm of Haskins & Sells, Certified Public Accountants?

A I am.

Q You have compilations of figures showing the operation of certain milk companies in New York during the month of December?

A Yes, sir.

Q Let us take the first compilation of figures which you have. Tell us what it is.

A I have a statement showing the sales cost and net profit or loss on Grade B milk sold in cans at wholesale in Greater

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New York during the month of December 1917. (Copies of such compilation were then presented to the members of the Commission.)

Q How was this compilation made up?

A They were compiled from information obtained from different companies.

Q Carrying out, as you understand it, the arrangement we made with the Commission to supply these figures in the form in which they wish the accounts to be prepared?

A So I understand.

BY MR. ALGER: I offer in evidence Statement of sales, cost, and net profit or loss on Grade B Milk sold in cans, at wholesale, in Greater New York, during the month of December 1917, and ask the stenographer to mark the same "Exhibit A".

Q On Exhibit A you have a summary statement of profits and losses on this grade of business?

A Yes.

Q You had before you the figures collected by the Levy Dairy Company, Standard Dairy Company, Model Dairy Company, Inc. Sheffield Farm Slawson-Decker Company, Empire State Dairy Company and Bordens Farm Products Company, Inc?

A Yes, sir.

Q And these compilations were made under your direction from

this information?

A Yes, sir.

Q And the computations are correct so far as these papers I handed to you, are concerned?

A To the best of my belief.

Q This exhibit (Exhibit "A") shows that these companies during the month of December sold how many quarts of milk - just take the totals?

A 9,483,950 quarts.

Q And that represented in sales how much money?

A \$929,856.75.

Q And in handling these 6,483,950 quarts of milk which they sold for \$924,856.75, what was the profit or loss?

A It shows a loss of \$31,709.38.

Q Does it also show what the loss was per quart?

A Yes, sir, \$.00334.

Q You have a second sheet of this exhibit with separate figures as to the costs of the various processes in handling, and the cost of operation - freight, etc., have you not?

A Yes, sir.

Q And from which a summary is made up?

A Yes, sir.

MR. ALGER: That is all I am going to ask about that unless the Commission has questions on this particular subject.

CHAIRMAN JORDAN: Some figures here attract my attention, as to the cost of delivery per quart. For instance this sheet shows that the Levy Dairy Company had a delivery cost of about .009; that the Standard Dairy Company had a little over .004. When you get over to the Sheffield Farms Slawson-Decker Company it is a cent and nearly .005; the Empire State Dairy Company \$.0136. Why is there so large a difference?

MR. SANFORD: The only answer I can give to that, sir, is the method used in the delivery. I think possibly some one in connection with the Company could explain that.

CHAIRMAN JORDAN: It would naturally attract attention, such a very large difference in the cost of delivery.

MR. SANFORD: A smaller business can do business more economically, I suppose.

MR. ALGER: They have no plants, no stables.

COMMISSIONER BROWN: They are receiving milk from platforms?

MR. ALGER: Yes. What they do is to send their trucks to the Jersey shore, get their milk and take it right to their customers. The Empire State Dairy Company, on the other hand, delivers right on regular bottle wagons.

COMMISSIONER WILLIAMS: Mr. Chairman, is the answer that the smaller companies are conducting business in a smaller way quite as comprehensive as it should be? Now the Model Dairy plant shows a delivery cost of .00806 while the Standard shows a delivery cost of .0043.

CHAIRMAN JORDAN: The Levy Dairy Company's plant also shows .008.

COMMISSIONER WILLIAMS: It is also the same as the Model Dairy Company - there are two companies with a delivery cost at .008, while the Standard Dairy Company shows .0043. Its total is \$76,753.97 up to delivery - about \$80,000. Now the Borden Company, you will notice, gives a figure of \$.0075 for delivery cost per quart - if I am correct in reading these figures, having just received them. No one can say that the Borden Company's delivery system is not as complete and comprehensive and well managed as a delivery system should be. In other words, you have two comparatively small companies with costs around .008; you have the largest company doing more than half of the total business; then two other companies which show costs that are practically double.

COMMISSIONER SHEDRICK: Mr. Alger, could you state for the Commission some good reasons why the small dealer has the advantage of the large dealer, or would you rather have Mr. Nathans state it?

COMMISSIONER FULLER: May I ask whether the figures on country costs in this report are due to freight rates?

MR. ALGER: I presume possibly there is a difference in the method of distribution of these costs. The Bordens have a complete system of distribution and an analysis of actual costs. The smaller companies haven't got a full or scientific analysis

of costs. They take it as best they can. There may be also a difference, as Mr. Fuller suggests, in their rates.

COMMISSIONER FULLER: I was wondering if some of these companies had a longer haul.

COMMISSIONER KITTREGE: The Levy Dairy Company doesn't seem to be a small company. Isn't that one of the larger companies? That makes a profit.

COMMISSIONER SHEDRICK: It is small in comparison with the Borden Company and the Sheffield Farms Company.

COMMISSIONER BROWN: I notice on this sheet that under the Standard Dairy Company there is no allowance for deductions and shrinkage. Why is that?

MR. SANFORD: I can only say, sir, that while in the larger companies every small item that might affect the cost is very carefully recorded, in some of the smaller companies while the record is satisfactory for themselves, it is not as finely divided. There isn't the necessity of doing it in their own business and it is rather difficult to make the segregation.

COMMISSIONER BROWN: In view of the small costs there, I was wondering if there was any connection between the two facts.

MR. SANFORD: It is just my opinion, if the item is omitted in one place it is compensated for elsewhere. That is, the expense on the books of the Standard Dairy Company may be taken up in a different way.

CHAIRMAN JORDAN: The answer to my first question was that these differences arose because the smaller companies were

were handling milk one way and the large ones another way. I note that the Sheffield Farms delivery cost is practically double that of Bordens - the answer wouldn't hold in that case.

MR. ALGER: Sheffield's is all retail practically. Its wholesale business is rather a new affair.

I. ELKIN NATHANS was then recalled.

MR. ALGER: I will ask Mr. Nathans with regard to some of the advantages the small companies appear to have over the large companies in handling milk.

MR. NATHANS: Well, my observation, gentlemen, is this, that these smaller companies, particularly in the line of wholesale, do their business largely on contract. They have contracts with certain hotels, restaurants, etc; they have what you might say is a known demand and they are able to buy more closely as to quantity to meet that demand than are the companies who do a general service business. Consequently they are able to figure their supply very much more closely than the companies who have an unknown and uncertain demand. And their expenses in the country, and in the State as well, are at a lower rate per quart. Of course, the argument naturally follows that if all the business of the City were divided among companies doing it in the same way, each with a comparatively small volume of business, covering a particular territory, the expense would be at a lower rate per quart. But the multiplicity

of companies would increase the aggregate of expense if all were handled in that way.

CHAIRMAN JORDAN: What would you say as to Sheffield and Bordens figures showing such a difference?

MR. NATHANS: On the wholesales? I understand that the Sheffield business is, in part, can lots. They have a very small wholesale business which is done more as an accommodation for certain trade they must take care of. It is, in part, can lots. The Borden business is in larger quantities. That accounts for higher costs.

COMMISSIONER WILLIAMS: May I call Mr. Nathans attention to the fact that the Sheffield's cost for December was on 323,000 quarts, as compared with 5,899,826 quarts delivered by the Borden Company, and I think his explanation so far as that comparison is concerned, is adequate. Now take the Model Dairy Company, the amount delivered during December was 263,334 quarts, or approximately one-third less than Sheffields - and yet their cost of delivery was about .008 as compared with $.0014\frac{3}{4}$ by the Sheffield Company. Then if you take the Standard, they delivered 890,000 quarts and their average cost was $.004\text{--}3/10$ a quart. May be Mr. Nathans can explain the reason for that.

MR. NATHANS: I have been advised that the Standard Dairy Company's showing is largely due to the fact that every one interested in that Company and its operations is actually doing a good deal of the work themselves. They have a very small

intimate organization and serve their trade in a contact way. I understand further and I have been advised that their compensation from the business itself is relatively small; and, being a close corporation as you might call it, almost a family affair, they participate in other ways.

CHAIRMAN JORDAN: Would you suggest that as a basis of economy in other words?

MR. NATHANS: It wouldn't be possible in handling that volume of business.

COMMISSIONER WILLIAMS: You see, they delivered about 900,000 quarts in December.

MR. SANFORD: I was trying to verify what I had here. In the case of the Model Dairy Company, it is my impression that a good deal of their wholesale is done on retail wagons.

MR. NATHANS: No, that is the Empire State Dairy - the Model is all wholesale.

COMMISSIONER WILLIAMS: You say the Model has an average cost of about .008. But the company here which seems to hold the banner is the Standard Dairy Company with .004-3/10 with 900,000 quarts delivered. It has delivered three times as much as Sheffield and four times as much as the Model Dairy Company.

COMMISSIONER SHEDRICK: Do you know, Mr. Nathans, in how many square miles the Standard Dairy Company delivers, and how much per wagon?

MR. NATHANS: I do not, but it is very limited.

COMMISSIONER SHEDRICK: Do you think that has a bearing?

MR. NATHANS: It has. The Sheffield Company delivers all over New York State and New Jersey

COMMISSIONER SHEDRICK: If a dealer had a large trade in a 15 block area do you think that he might deliver milk at a very material decrease than if he delivered wherever the public demand might be?

MR. NATHANS: Absolutely. These dealers buy in accordance with their contracts. If you were to call on them for milk in excess of the quantity they had figured on, they would turn you down, or they would turn to other dealers who had it.

COMMISSIONER SHEDRICK: If you were out of their area they would tell you they could not supply you?

MR. NATHANS: Absolutely.

COMMISSIONER WILLIAMS: I understand Mr. Nathans adds the further explanation in reference to this low cost of the Standard Company that they serve milk in a very limited territory only.

MR. NATHANS: Comparatively limited.

COMMISSIONER WILLIAMS: Of course, I have drawn attention to the fact that they served 900,000 quarts in a month compared with one-third of that by the Sheffield Company and a little more than one-fourth by the Model Dairy Company. Could we have a statement showing the territory covered by the Standard Dairy Company and something of its organization?

COMMISSIONER SHEDRICK: That would be useless, Mr. Chairman, without the number of wagons run and the number of quarts per wagon delivered. Also, you would want to take into account how the milk was handled, whether it was pasteurized in the country and delivered direct from the stable, or whether run from bottle plants used for retail purposes and kept up and cleaned up in proper shape?

COMMISSIONER WILLIAMS: Here we have a company delivering milk for less than half a cent a quart. I for one would like to know how they do it. Let us assume they are not making any profit, yet, curiously, they do make a profit for December, at the old price, of \$3900. If we were to assume that the family works most efficiently twenty-four hours a day, as indirectly suggested by Mr. Nathans. A very small additional allowance to that $.004\frac{3}{10}$ on 900,000 quarts a month would mean an enormous increase in their income, so that these gentlemen could get a considerable salary without materially increasing this cost. I would like to know how they do it?

CHAIRMAN JORDAN: Possibly we could have in condensed form the information necessary in answer to the inquiry.

COMMISSIONER WILLIAMS: I would like formally to ask the Standard Dairy Company to appear before this Commission a month hence with a statement showing the territory they cover and the other items mentioned by Mr. Shedrick, as desirable for us to have. Furthermore, I would like to have from them an opinion,

if they care to give it as to how their territory could be extended and their business increased without increasing their delivery costs - or perhaps reducing their costs and with a larger volume of business. It seems to me we fall short of our duty to the public if we have before us an example of a milk corporation carrying on a business of 900,000 quarts a month at the old rate making a profit, and accomplishing its delivery service for less than half a cent a quart, where the nearest approach to that figure by any other company is .00775 - and two of these companies are running one and one-half cent in their delivery costs.

COMMISSIONER DOW: Couldn't we have that information at this time?

MR. NATHANS: Not unless you sit for several days.

COMMISSIONER BROWN: Can you give us those preliminary figures that Mr. Shedrick and I discussed? My own question was as to the size of the average delivery of the Standard Dairy Company.

COMMISSIONER WILLIAMS: Is the representative of the Standard Dairy Company here?

MR. ALGER: Yes, Mr. Berg is right here.

WILLIAM F. BERG, a witness, being duly sworn, testified as follows:

COMMISSIONER WILLIAMS: Mr. Berg, what territory do you cover with your service?

MR. BERG: We cover, I should think, from City Hall up to the Harlem River on the East Side - nothing west of Broadway up-town with the exception of a few customers.

COMMISSIONER WILLIAMS: In other words, you cover almost half of Manhattan Island?

MR. BERG: Manhattan Island, well, yes.

COMMISSIONER WILLIAMS: You said yes.

MR. BERG: Yes.

COMMISSIONER WILLIAMS: Broadway runs at an angle - where do you begin up-town?

MR. BERG: Up-town? I should say Madison Avenue.

COMMISSIONER WILLIAMS: Well, ^{where}/do you begin with the Madison Avenue line?

MR. BERG: On the East Side we have from City Hall to 14th Street entirely on this side of the Bowery - up to 50th Street, I should think. Then we keep on, on the East Side. Then we have a few on the West Side, about thirty cans.

COMMISSIONER WILLIAMS: You cover a very substantial part of Manhattan Island?

MR. BERG: We do, yes.

COMMISSIONER WILLIAMS: How many wagons have you?

MR. BERG: We have fourteen.

MR. NATHANS: Nothing in Brooklyn? MR. BERG: No.

MR. NATHANS: Jamaica? MR. BERG: No.

MR. NATHANS: Jersey? MR. BERG: No.

MR. NATHANS: Bronx? MR. BERG: No.

MR. BERG: No.

COMMISSIONER WILLIAMS: You have heard what has been said about these comparative figures? How do you yourselves account for the lower cost of your delivery service?

MR. BERG: I think it is by the actual service we do. There are seven stockholders and there is no comparison between the drivers and us. We do everything. There is days we put in 18 hours, sometimes 24 hours if it is necessary in conditions like it was.

COMMISSIONER WILLIAMS: You have 7 drivers at least and you gentlemen made \$3,000 in December. I don't call that bad. Do you pay your drivers any less than the other companies do?

MR. BERG: No.

COMMISSIONER WILLIAMS: Do you work them longer hours?

MR. BERG: No - it depends on how the trains comes in.

COMMISSIONER WILLIAMS: Do you work your drivers any longer hours than the other companies?

MR. BERG: I don't believe we do.

COMMISSIONER WILLIAMS: Do you underfeed your horses?

MR. BERG: I guess not.

COMMISSIONER WILLIAMS: Pay any less for horse feed?

MR. BERG: I guess not.

COMMISSIONER WILLIAMS: Are your wagons decrepit and run down?

MR. BERG: No.

COMMISSIONER WILLIAMS: Keep them painted and in good shape?

MR. BERG: Yes.

Have good quarters for your horses?

MR. BERG: Yes.

COMMISSIONER WILLIAMS: Is your milk pasteurized milk?

MR. BERG: Yes.

COMMISSIONER WILLIAMS: Have you a plant here yourselves?

MR. BERG: No.

COMMISSIONER WILLIAMS: Where do you buy your milk?

MR. BERG: We have our own stations in the country.

COMMISSIONER WILLIAMS: Where do you do your own
pasteurizing?

MR. BERG: Yes.

COMMISSIONER WILLIAMS: Is the low cost of .005-3/10 for
your delivery service representative of cheap plant, decrepit
equipment or underpaid men?

MR. BERG: No; it is because we try to keep our expenses
as low as we possibly can for years. For that reason we have
just drawn a nominal salary.

COMMISSIONER WILLIAMS: What do you call nominal salary?

MR. BERG: We started with \$30 a week.

COMMISSIONER WILLIAMS: Where are you ending at?

MR. BERG: \$40.00 - that is, officers and altogether.

COMMISSIONER WILLIAMS: And after partners draw \$40 a
week, the partners had \$3,000 in the month of December?

MR. BERG: Yes - but what did we have in November?

COMMISSIONER WILLIAMS: We haven't November before us.
Let me ask you whether at your delivery cost of .004-3/10,

serving a section of the City bounded by City Hall on the south continuing on up to the Harlem River to Madison Avenue on the west, and taking in territory which is densely populated - does your lowered cost of delivery represent bad or poor service to the public?

MR. BERG: No - it is our own economical system.

COMMISSIONER WILLIAMS: Is your service equal to half of any other company in the City?

MR. BERG: It is.

COMMISSIONER SHEDRICK: You have 14 wagons, Mr. Berg?

MR. BERG: Yes, sir.

COMMISSIONER SHEDRICK: How many cans per wagon?

MR. BERG: We average 50 to 55 cans. The moment we see it doesn't pay us any more in any place we cut it right out.

COMMISSIONER SHEDRICK: You do it by horses?

MR. BERG: By horses, yes.

COMMISSIONER SHEDRICK: You use these horses for hauling the milk?

MR. BERG: I guess we do - sometimes 80 or 90 cans.

COMMISSIONER SHEDRICK: In other words, you have the maximum amount anyone wagon can carry and deliver?

MR. BERG: I think we have.

MR. ALGER: What about the customers you have - do they agree to take so many cans a day?

MR. BERG: Oh, no; we have to give them what they ask.

MR. ALGER: Do you know what they are going to take?

MR. BERG: Well, we know just about.

COMMISSIONER BROWN: Do you do much of a hotel trade?

MR. BERG: We have four cans.

COMMISSIONER BROWN: Do you do much of a restaurant trade in cans?

MR. BERG: Not very much; it is most generally stores.

MR. ALGER: Your business is wholesale downtown business?

MR. BERG: Yes.

MR. ALGER: And a large part of that business is concentrated on the lower East Side?

MR. BERG: Yes. We have concentrated ourselves and we keep on cutting out routes.

MR. ALGER: Most of your business is lower East Side business and your drivers take maximum loads of cans and make two deliveries a day?

MR. BERG: Yes.

COMMISSIONER SHEDRICK: Why haven't you gone into the Bronx and scattered around, taking the whole of Greater New York?

MR. BERG: The distance from our place. The cost would be so great we couldn't afford it.

COMMISSIONER SHEDRICK: In other words, you feel where the blocks were scattered and where you carried 40 per cent of your load, it would not pay?

MR. BERG: It would not pay.

COMMISSIONER SHEDRICK: And you want to go after the concentrated business?

MR. BERG: Yes.

COMMISSIONER WILLIAMS: Let us assume, Mr. Berg, you had sufficient capital to cover such corresponding territory in the Bronx and the West Side and in Brooklyn, could you by having centers similar to the center you now have, deliver, in your judgment, equally cheap?

MR. BERG: It is peculiar with us. I don't believe our seven men could look after much more trade. We have only two bookkeepers for all our work because the fact is, we are bosses, bookkeepers, drivers and everything else, and that is where I think our low costs have come in. We have made a study of it for the last 17 years. We have not paid high salaries, in order to get our business on a sound foundation.

COMMISSIONER WILLIAMS: How many people are delivering milk in your territory?

MR. BERG: Ten or twelve.

COMMISSIONER WILLIAMS: If there were less than 10 or 12 delivering wouldn't your costs be less than ~~now~~?

MR. BERG: It would.

COMMISSIONER WILLIAMS: So that .004-3/10 would be less than if there were just yourselves delivering?

MR. BERG: I doubt whether it could be lowered very much more than we are doing it now.

COMMISSIONER WILLIAMS: Could you do it without increasing the cost?

MR. BERG: That is a point I don't really know. Our drivers are worked to their full capacity. They handle now 55

to 60 a day. During the summer they may handle 75 to 80. It is only a question how long they could do that.

COMMISSIONER WILLIAMS: Wouldn't it tend to lower the cost if there were only one instead of 10 or 12 in your territory?

MR. BERG: In general, but I doubt if it would be lower.

COMMISSIONER WILLIAMS: In other words, your average cost today represents in your judgment about the minimum?

MR. BERG: The minimum; we can't do that every month either.

COMMISSIONER WILLIAMS: Wasn't last December the worst month you ever had in your history?

MR. BERG: We have no ice. That plays a great factor. That comes to hundreds of dollars a month.

COMMISSIONER WILLIAMS: Does the ice cost more owing to the impendence of the snow in cold weather?

MR. BERG: Oh, yes.

COMMISSIONER BROWN: Mr. Berg has confined himself to a particular route and in that way built up a business that is extra profitable. He has built up a very conservative business.

MR. BERG: That is true. I beg to mention, besides being out own bosses and our own drivers, we are also our own collectors. We collect very very short. Our losses in a year don't amount to \$500. That all has to be taken into consideration.

COMMISSIONER FULLER: May I ask, Mr. Chairman, do you intend to have Mr. Alger furnish us with the figures of the whole business? These figures furnished us apply only to Grade B

milk. Why is it we get the figures for just a portion of the business?

MR. ALGER: I started out with more figures and was met with the proposition that we didn't give the Commission any light. You want to know what the elements of cost were. I have been getting at the elements of the different costs.

COMMISSIONER FULLER: That is true. Have you figures which will show the other parts of these various corporations. This applies to Grade B wholesale milk in cans. Have you an exhibit which will take in detail these various things and in total?

MR. ALGER: I have not.

COMMISSIONER FULLER: Why don't we get that?

MR. ALGER: We are giving the figures which give the main bulk business, Grade B, not the fancy service or Grade A, which does not amount to so much.

COMMISSIONER FULLER: How can we determine, then, whether these companies were making profits or losses if we don't have all the figures?

MR. ALGER: To give it in detail with all the amounts in means an immense amount of work.

COMMISSIONER FULLER: We should be able to tell at a glance what the profits and losses are in Grade B and in the other grades, so that we can determine finally whether the companies are making profits or losses. It is not enough to take one branch of the business to show a profit or loss. I want their whole business in condensed form so we can determine whether they

a:

COMMISSIONER WILLIAMS: Still this does comply with our original request. It is the wholesale business upon which we do make a price.

COMMISSIONER FULLER: But you make a price to the farmer on the whole milk.

COMMISSIONER WILLIAMS: And this report is very valuable to our Commission because it does give us the cost in total of carrying on this segregated part of the business, as we requested at the beginning - that is, the wholesale business delivered in cans from which the customer buys milk at the store.

COMMISSIONER FULLER: But this is the thing I have in mind. We are trying to hold the producer down to a certain price which is based in a measure on whether they are making or losing. To be fair to the producer we have to know what the profits and losses are on the whole business, not on the segregated part?

COMMISSIONER WILLIAMS: I agree with Mr. Fuller, but it is very illuminating to have these figures on wholesale milk. This is the part that affects the consumer in New York. I don't think it has much bearing on the price to be paid to the farmer.

COMMISSIONER SHEDRICK: Mr. Alger, can you give the Commission the total amount of profit or losses for the month of December?

MR. ALGER: I presume it could be done but I don't think I have these here now.

COMMISSIONER SHEDRICK: Hasn't the accountant figures to show that?

COMMISSIONER WILLIAMS: Why do we need to ask for figures for December. That is practically closed. Whether they have

made or lost for December has nothing to do with our present prices which have been fixed.

COMMISSIONER DOW. How soon could we have this report for January?

MR. NATHANS: The books for the larger and some of the smaller companies don't close until the 10th or 12th of March. If you held your meeting on the 20th we couldn't have gotten them out. We are working day and night on them.

CHAIRMAN JORDAN: What further have you?

MR. ALGER: We will take up another set of figures.

CHAIRMAN JORDAN: Mr. Alger, it is suggested that the Borden people could come in this afternoon and give us December gains or losses.

MR. ALGER: This second compilation of figures (Exhibit B) Mr. Sanford, is what?

MR. SANFORD: It is a statement of sales cost and net profit on bottled Grade B milk wholesale and retail and routes in Greater New York during the month of December, 1917, as shown by the Sheffield Farms Glawson-Decker Company, Empire State Dairy Company and Bordens Farms Products Company, Inc.

MR. ALGER: And were these compiled in the same way as the previous figures before the Commission have been compiled?

MR. SANFORD: Yes, sir.

MR. ALGER: Submitted at hearings before the Commission?

MR. SANFORD: Yes.

MR. ALGER: And this information was obtained by you from the figures of the various companies whose figures are compiled here?

MR. SANFORD: Yes, sir.

MR. ALGER: And placed together under your direction?

MR. SANFORD: Yes, sir.

BY MR. ALGER: I offer in evidence Statement of sales, cost, and net profits on bottled Grade B milk wholesale and retail routes in Greater New York during the month of December, 1917, and ask that it be marked "Exhibit BW.

MR. ALGER: This gives a separate statement of country bottled and City bottled retail milk, and the City bottled whole-sale milk?

MR. SANFORD: Yes, sir.

MR. ALGER: Of these three companies?

MR. SANFORD: Yes, sir.

MR. ALGER: The summary sheet, which is the first sheet, gives a summary or total of the number of quarts which these three companies handled in country bottle retail business. What is that total?

MR. SANFORD: 1,665,854 quarts.

MR. ALGER: And the sales of that milk sold at what price?

MR. SANFORD: \$235,464.18.

MR. ALGER: And the profit made upon that business was how much?

MR. SANFORD: \$5,905.37

MR. ALGER: And how much per quart?

MR. SANFORD: \$.00354.

MR. ALGER: Then you have the city bottle retailed milk. How many quarts is involved in the city retailed bottle milk?

MR. SANFORD: \$7,594,736.

MR. ALGER: And at a sales price of what?

MR. SANFORD: \$1,071,609.89.

MR. ALGER: On that volume of business of over a million

dollars and over 7,500,000 quarts trade, what is the profit or loss? MR. SANFORD: There was a loss of \$33,434.79.

MR. ALGER: You have another separate collection of figures representing wholesale city bottled business. How much of the total is involved there?

MR. SANFORD: 554,069 quarts.

MR. ALGER: At a sale price of how much?

MR. SANFORD: \$70,368.18.

MR. ALGER: And adding a profit of how much?

MR. SANFORD: \$1,042.27.

MR. ALGER: Or a profit per quart of how much?

MR. SANFORD: \$.00188.

MR. ALGER: I neglected to ask with reference to city bottled retail - what the loss per quart was?

MR. SANFORD: City bottled retail .0044.

MR. ALGER: Then you have given on the succeeding sheets details of cost for which this first sheet is a summary?

MR. SANFORD: Yes, sir.

MR. ALGER: I have no further questions at this time.

CHAIRMAN JORDAN: Mr. Alger, a member of the Commission would like to ask Mr. Berg one or two questions.

COMMISSIONER DOW: I would like to ask Mr. Berg a question or two.

WILLIAM F. BERG, recalled.

COMMISSIONER DOW: In your opinion, Mr. Berg, what would be the effect of consolidation under State control on prices?

MR. BERG: Well, it is a question I have never thought of very highly, but I should think by concentrating a route you can sell it much cheaper. You can't lower your expense considerable.

COMMISSIONER DOW: Could you lower it below the figures you have given?

MR. BERG: I wouldn't say that, but I should think it would be on that basis.

COMMISSIONER DOW: Could you do it at least as well?

MR. BERG: You see, experience would tell.

COMMISSIONER DOW: What would be your opinion?

MR. BERG: I think it could pay, of course, I wouldn't say offhand.

CHAIRMAN JORDAN: If the business were organized so that sections of the territory were covered in the way you cover it by your doing practically all the business in that section of a given kind, could you do the business as cheaply as at the present time?

MR. BERG: Cheaper?

CHAIRMAN JORDAN: I say as cheaply?

MR. BERG: I don't know about cheaper.

MR. BERG: I don't know about any cheaper.

MR. BERG: I never have studied or followed.

MR. ALGER: Dr. Jordan, I think some time past you have asked us to give you the average butterfat content month by month of some of these companies.

THE CHAIRMAN: Yes, sir.

MR. ALGER: After considerable labor, we have got together the butterfat content for the year 1917 of the Sheffield Farms, Alexander Campbell, Borden Farm Products and the Empire State Dairy Company. I will have that --

THE CHAIRMAN: (Interrupting) Will you file that as a part of the record?

MR. ALGER: I will file that as a part of the record. I have some additional copies of it here.

(Statement received in evidence and marked Exhibit "C", of this date.

COMMISSIONER FULLER: Mr. Alger, these are the reports taken from the country on the tests, are they?

MR. ALGER: Those statements are prepared with the very greatest degree of accuracy that has been possible, in most cases by taking each farmer's milk for each month and taking the number of pounds of milk produced, the number of pounds of-- rather, the percentage of butterfat, as shown by the tests, resolving that into pounds of butterfat, finding that out for the plant, and in the same way for the aggregate of all patrons of the company.

COMMISSIONER FULLER: In other words, this is the basis on which you paid for the milk?

MR. ALGER: That is the basis on which we paid for the

milk, yes, sir.

COMMISSIONER SHEDRICK: That is what you paid for 1917 to the farmer on the basis of that fat?

THE CHAIRMAN: Your computation is on the basis of the total milk and the total butter, not on an average of each farmer's test?

MR. ALGER: Each farmer's test, in most cases. I can't say that that was done in all, but in two companies at least, I know that each farmer's test was taken, the number of pounds that he produced, milk that he produced, was resolved into pounds of butterfat.

THE CHAIRMAN: Yes.

MR. ALGER: And those added up, the pounds of butter fat added together, and divided into -- or rather divided by the number of pounds of milk, gives you the percentage.

THE CHAIRMAN: Total number of pounds; not for that farmer, but for the total milk received.

MR. ALGER: For the aggregate milk, yes, sir.

COMMISSIONER BROWN: Which two companies have that average?

MR. ALGER: I understand the Borden and the Sheffield, and the Empire as well, I believe. They were all done that way, I believe, but I only know those two.

COMMISSIONER SHEDRICK: Every company now-a-days keeps their fat record.

MR. MILLER: Mr. Chairman, may I ask this gentleman,

the accountant, just one or two questions as to Exhibit "E":

THE CHAIRMAN: Mr. Miller.

MR. MILLER: Referring again to Exhibit "E", the second sheet thereof; as I interpret the tabulation, the cost of country bottled Grade "B" milk, up to and before delivery, is \$.09806. Am I right as to that?

THE WITNESS: Under Borden's?

MR. MILLER: Under Borden's, yes, sir.

THE WITNESS: Yes, sir.

MR. MILLER: Referring to the next sheet, as to the same milk that is bottled in the city, the costs of that is \$.10745?

THE WITNESS: Yes, sir.

MR. MILLER: Or practically one cent a quart, nearly, more for the city bottled than for the country bottled milk?

THE WITNESS: Yes, sir.

MR. MILLER: Yes.

THE WITNESS: Which, I might call your attention to the fact that the city factory expense is additional in the second instance in which you speak.

MR. MILLER: I do not just catch that.

THE WITNESS: Well, if the country bottle milk, retail, you will notice the item of cost is made up of three items, the purchases, the country can expense, and the freight and ferriage.

MR. MILLER: Yes.

THE WITNESS: If you will refer to the second one, you will find those three items, and also city factory expense in addition, which would account for the additional cost of the city milk.

MR. MILLER: Yes; I take it that there must be some additional expense somewhere.

THE WITNESS: Yes, sir.

MR. MILLER: The fact, however, is that it costs about one cent a quart more?

THE WITNESS: Yes.

MR. MILLER: And the subsequent costs for delivery are exactly the same in both instances?

THE WITNESS: Yes.

MR/ MILLER: That is all.

MR. ALGER: I have got another exhibit here that I think might follow the one I have just put in.

THE CHAIRMAN: Follow Exhibit "B"?

MR. ALGER: Not Exhibit "B", but this exhibit regarding butterfat content.

THE CHAIRMAN: Oh, yes, follow this.

MR. ALGER: This gives, from the Sheffield Farms company, the cost of the milk purchased, and the average butterfat test for the month of January, taking each of their plants separately.

(Statement received in evidence and marked Exhibit

"D", of this date.)

MR. NATHANS: That indicates the variance of butterfat in sections, different plants, as between Grade "A" and Grade "B" milk, and the total general average.

MR. MILLER: That would be an interesting document. That ought to be an interesting document.

MR. NATHANS: It is.

MR. MILLER: Yes.

MR. NATHANS: And it occurs to our mind, Mr. Chairman, and we are stating it for that reason, we are trying to get some legislation that will permit of standardization, that we are endeavoring to secure; and we would like to have the support of the commission.

COMMISSIONER FULLER: Just on what standard?

MR. NATHANS: Standardized to conserve foods, where the fat is now being wasted to a large extent.

Commissioner Fuller: In other words, three per cent. is too low?

MR. ALGER: No; but where you have a 4.8, for instance, in a country bottled plant, and you are putting out milk at times with 4.85, 5.2, and another plant in another section going with 3.2 and 3.3.

THE CHAIRMAN: I will say, Mr. Nathans, that the matter of standardization has been under consideration up the State.

MR. NATHANS: Yes, I know it has.

THE CHAIRMAN: We have not missed the point at all.

MR. NATHANS: Well, it has had the heart support of everybody up the State so far.

THE CHAIRMAN: Well, it has has no very active opposition at the present time.

MR. NATHANS: That is right. It needs a little more push to put it through, and perhaps this commission could give it the push.

THE CHAIRMAN: It is rather a complex question, when you follow it out through all its details.

MR. NATHANS: Well, we have to rely upon your friend, Prof. Van Slyke and others, for information of that sort.

MR. ALGER: Now, Mr. Nathans, I want to take up with you an analysis of the surplus milk, which I understand you have compiled, and which follows the map we had in evidence.

MR. NATHANS: I have it here.

MR. ALGER: What is that exhibit number?

MR. NATHANS: 44.

MR. ALGER: We introduced in evidence at an earlier hearing, a map which was marked Exhibit 44. Now, this chart I wish to have you further illuminate by the figures showing the surplus of the various distributing companies, whose figures compiled made the chart, and say what it amounts to for the ten months in dollars and cents. I wish you

would give it in your own way, Mr. Nathans, the analysis of these figures, how you have compiled them, and the result.

MR. NATHANS: Well, this chart, Mr. Alger, was filed by us at the first hearing, to show in a graphic way the relation which what is commonly known as "surplus" bore to receipts -- or purchases, rather, and sales. And it was our expectation that the commission would take this all into consideration in their decision, and they must ultimately do so. At that time the question of surplus -- that is, at the time prices were made for January, and even for February, the question of surplus was not a burdensome matter. Today we are approaching that period when it becomes a very vital question and must be taken into account. The chart which was prepared as Exhibit No. 44 was graphic, and we have since supplemented that with figures from which it was compiled, in the exhibit we have just filed at the present time.

(The statement referred to was received in evidence as Exhibit "E", of this date.)

MR. ALGER: Now, in a brief way let us have the facts which your figures compiled amounts to.

MR. NATHANS: These figures show for four companies, the same four named in the chart, the Sheffield Farms-Slawson Decker Company, Alexander Campbell Company, Empire State Dairy, and the Mutual McDermott Dairy Corporation, their total purchases for ten months, which was all the available data we could secure at the time; and as shown in the first column here,

the months of 1917, ten months show a total of four hundred and ninety odd million pounds of milk purchased. And this milk which was purchased from farmers, the amounts which were put into butter and into cheese, and the total of both butter and cheese are shown. There was a total of 30,451,619 pounds went to butter; 29, 27,196,809 pounds went to cheese, making a total of 56,648,428 pounds, or $11\frac{1}{2}$ per cent. of the total purchases were manufactured for those ten months. That percentage is not shown there, Mr. Chairman?

THE CHAIRMAN: What percentage did you say?

MR. NATHANS: $11\frac{1}{2}$ per cent. That 56,000,000 is $11\frac{1}{2}$ per cent. of the total; and as you will note, the relative proportions of that 56,000,000 vary very materially in the different months, indicating the months of greater surplus. There was no cheese manufactured in January, a very small amount in February; from March on the amount increased materially, and fell away in October. Butter was manufactured in every month in the year to a greater or less extent. The sales, as indicates in the line on the chart, are likewise indicated by figures, showing 414,470,200 pounds, or 84.8 per cent. of the total purchases. That accounts for about 95 per cent. of the total purchases between that which went into butter and cheese and that which was sold in the form of milk, cream or condensed milk, expressed in milk equivalent; and is there for indicative that about five per cent. of that, of the total purchases, were put into storage cream, which did not come out of storage up to October; in other words, was not dispensed

as cream, and still remained in storage. That ^{is an} estimated quantity entirely, but perhaps it is very nearly correct. There was a very large -- it was necessary to put a large amount of milk into cream last year, because at certain times of the year it was the only available outlet that would not mean a very large loss; and due to circumstances which have since transpired, there has been a substantial loss on most of that cream.

Now, on the second page of the exhibit we show the cost of the milk that went into these byproducts, butter and cheese, the value of the butter made, the loss entailed, the cost of the milk, and the value of the cheese and the loss entailed. The method by which that was ascertained was very elaborately gone into, or sufficiently I presume, at the time the chart was filed; and it shows in addition to the figures shown on the chart, that the average -- that the value of butter, the average value of butter per pound was 36.6 cents, and that the cost of the milk expressed in pounds of butter was 56.1 cent, for a loss of 19-1/2 cents per pound on the butter. And similarly, a loss of 1.6 cents per pound on the cheese. We undertook to show what is the loss per hundred pounds of milk testing an average of 3.75 per cent., which was the Borden average as shown, and show -- and find that it is 78.2 cents, and on cheese 15.3 cents.

Now, I will read into the record from the footnote, in

which we say it is impossible to show what disposition was made of the skim milk in each of the numerous plants through which the 30,000,000 pounds of milk passed that was manufactured into butter. That is of course out of the question, to find out what was done with that skim milk.

COMMISSIONER FULLER: Some of it is made into skim cheese.

MR. NATHANS: Some of it is made into skim cheese, some into milk powder, some into casein milk sugar, and some sold to farmers, and some thrown away because there was no use for it. In some cases it could not be utilized to advantage, but in others it could be manufactured, but allowing 50 cents a hundred, which is high for the average, there still remains a loss of 33.2 cents on every 100 pounds made up. This is equivalent to 7.138 cents per quart on each quart manufactured into butter. Now, the total loss on the surplus was \$281,048.37. Taking both butter and cheese into account, the loss per quart on each quart manufactured was 1.066 cents. The total sales being 192,778,000 odd quarts, and a total volume manufactured into butter and cheese of twenty-six million odd quarts, or 11-1/2 per cent. of the sales. Therefore, if you take 11-1/2 per cent. of the sales on each quart manufactured, it is apparent that each quart sold must bear an expense of 1.23 mills per quart.

COMMISSIONER FULLER: That is on your milk that you sold as whole milk?

MR. NATHANS: As whole milk, Well, the milk sold as milk, cream or condensed milk, reduced to terms.

THE CHAIRMAN: 1.23 mills?

MR. NATHANS: 1.23 mills. I have here .123 cents. That is right.

THE CHAIRMAN: No; you said 1.23 mills.

MR. NATHANS: No, I have "Point". You overlooked the point in front of that. That is .123 of a cent, see?

THE CHAIRMAN: I see now.

MR. NATHANS: Now, I call your attention to the fact that the Mayor's milk Committee in their report show a somewhat larger loss per quart on sales; and that is due to the fact that they threw everything into butter, while we have taken — and there is a theoretical loss — while we have taken actually the quantity of milk that went into butter and into cheese in each of those four instances; and due to the fact that as the Allies were buying cheese quite heavily and paying a fairly good price for it in the early part of last year, the cheese price was pretty well maintained. And as the chart shows, there was little loss up until the month of June on cheese, consequently — but there was a substantial loss throughout on butter — consequently, if you throw all of the surplus into butter, on which there was a loss, you are going to show a greater loss per quart than we do, our loss being actual.

COMMISSIONER FULLER: How does that compare, Mr. Nathans, with the — as I understand it, you do not reduce

~~your price to the consumer of fluid milk in the summer, but~~
you let that fluid milk carry a low loss to be used in making up surplus.

MR. NATHANS: Well, what we have done in the past, Mr. Fuller, is based upon an experience of a great many years, in which the price to the farmer and to the consumer was adjusted in such a way as to take care of surplus. Last year, the year of 1917, was the first year in which we ever had that relation disturbed.

COMMISSIONER FULLER: That is what I am getting at.

MR. NATHANS: And while it is true that during last summer the price was not reduced to the consumer, but in fact was advanced, it was due to the fact that milk itself advanced during that time.

COMMISSIONER FULLER: In other words, the price to the producer was raised.

MR. NATHANS: And consequently it had to be reflected.

COMMISSIONER FULLER: And the price to the consumer remains the same for fluid milk, which did not take care of the load.

MR. NATHANS: I could not consistently say the price remained the same to the consumer, because it was advanced on the first of July; it was advanced again —

COMMISSIONER FULLER: You get my point, Mr. Nathans, it was advanced sufficient to take care of that.

MR. NATHANS: It was not advanced sufficient, no, it was not advanced sufficient.

COMMISSIONER SCHOEN: Mr. Nathans, on your second sheet you have the value of butter and the value of cheese. What do you quite mean by that expression? Is that what you could get for it, or is that what it was worth? What does it mean?

MR. NATHANS: That is, we take, in the first place, the number of pounds of milk.

COMMISSIONER SCHOEN: Yes?

MR. NATHANS: That we turn into butter at the actual average butterfat test for that month, ascertain the number of pounds of butter that that would make, that milk would make, by allowing a fifteen per cent. overrun; then we take the average market quotation for that month, the New York market quotation, from the Produce Review, deducting from that three and a half cents as the cost of making, and ascertain the value of butter on the New York market at that time, in that particular month. Now, much of that butter was not disposed of, it was stored, necessarily had to be; the market would not absorb it; and it may have been sold at a higher price; but if held until today it would sell at a lower price, and we show in our chart that if held until October it would have been a still greater loss than if sold at current prices.

MR. ALGER: That is, for either butter or cheese?

MR. NATHANS: For either butter or cheese, the price having declined on both from those prices at the time it was manufactured. Now, I have prepared in addition to that another exhibit as indicating in an attempt to bring this matter right up to the latest possible experience.

(Statement referred to received in evidence as Exhibit "F", of this date.)

MR. NATHANS: Now, if we take the very latest quotation that are available, and that is for — well, take a period of two weeks, for the two weeks ending February 21st, which is a total of eleven business days; and we find that as shown in the exhibit, without reading the detail for each week, that for full cream held special cheese — and I use that because it is the —

COMMISSIONER SCHOEN: (Interrupting) What does that mean?

MR. NATHANS: That means, "specials" being a designation, a grade of cheese, and perhaps the average cheese sold. "Held," means that it is not new cheese, and "full cream" means it is made of whole milk. It would not be fair to take new cheese, although there is very little manufactured at the present time, comparatively. It is not salable at the present time.

For the eleven days in 1918, the average price was 26.25 cents per pound. In 1917, for the same identical days, 25.65 cents. Now, February milk, testing 3.7 per

cent. fat makes 9.91 pounds of cheese, according to a table prepared and published in the New York Produce Review, and which we accept as authority. The cost of 100 pounds of milk of 3.7 per cent. milk in the month of February, at the price fixed by your commission for the average distance of 150 miles, is \$2.36.

COMMISSIONER SCHOEN: That was 1917?

MR. NATHANS: No, I beg your pardon. I will not say, "fixed by your commission"; that was the price in February for 150 miles, \$2.36. The value of 9.91 pounds of cheese, at 2 cents per pound to cover the cost of making -- and I am advised by some of our members that that is too low a figure to take at this time; boxes have gone up considerably, rennet cheese and everything else, that cheese this year cannot be manufactured at less than \$2.50 a hundred, and consequently 2-1/2 cents would be proper.

COMMISSIONER FULLER: That does not take into account whey butter or any by-product.

MR. NATHANS: Not on full cream cheese, no, sir; it does not take into account whey butter. The value of that cheese would therefore be \$2.34, or a loss of 2 cents.

Now, making that comparison for the same period this year, we find the value of the milk at \$3.62, and the value of the cheese at the current market price, \$2.40, a loss of \$1.22, or \$1.24 on each 100 pounds of milk lost this year than last year.

Now, we do the same thing with butter; we take creamery extras 92 score. And for the 11 days of 1918, the price is 51.4 cents. For 1917 44.9 cents. For that milk, testing 3.7 per cent., would make 4.3 pounds of butter, allowing you 15 per cent. overrun. The cost of 100 pounds of milk in February, 1917, at \$2.36, and giving skim milk an estimated value at 50 cents, leaves the net cost of that milk, \$1.86. It is almost impossible to say what skim milk is worth, in taking the territory as a whole. To one man it might be worth a dollar under certain conditions; to some feeders or breeders of purebred stock it might be worth a dollar; and to a man with a common herd it might be worth twenty-five cents. To some manufacturing plants it is worth more than others, depending upon their by-products. At some places, and a great many places at that, the average ~~ex~~ creamery, if you have any skim milk, the only thing you can do is to turn it into casein or have the farmer take it; it is worth at times very little. So, taking the territory as a whole, we think that 50 cents is a fair average. The value of 4.3 pounds of butter, less 3-1/2 cents a pound for making, at 44.9 cents a pound, \$1.79, a loss of 7 cents.

COMMISSIONER FULLER: Do you know what it is worth, Mr. Nathans, for skim cheese?

MR. NATHANS: What?

COMMISSIONER FULLER: Do you know what it is worth for skim cheese.

MR. NATHANS: Milk for skim cheese? No, I do not offhand, no, sir. I haven't those values right here. It just occurred to me that in making up this statement rather hurriedly yesterday, I believe I would not like to take this without verification, but I believe we have neglected to make that deduction of 2 cents and 3-1/2 cents; and if I find it so, I would like to correct those figures'but in either event it would not affect the relative comparison between the two years.

COMMISSIONER SHEDRICK: There is no sale of skim cheese very much.

MR. NATHANS: Now, similarly for the year 1918, the cost of milk was \$3.62, and the net cost, \$3.13; and the value of the butter, notwithstanding the higher market price to day, deducting from the cost, shows a loss of \$1.05 as against a loss of \$.07 last year.

MR. ALGER: On what?

MR. NATHANS: That is on each hundred pounds of milk manufactured into butter.

THE CHAIRMAN: Which is equivalent to saying, is it not, that the price of milk and butter have gone up, not in proportion to the price of milk?

MR. NATHANS: Have not kept pace. Our former argument is sustained by this computation; and we view that with very considerable alarm at the present time because of the fact that there is every indication there will be an enor-

mous increase of milk this year.

MR. ALGER: That we will take up later, however. That is all the exhibits you have, is it?

MR. NATHANS: If those corrections should be made, I will make them.

MR. MILLER: May I ask just one question?

MR. ALGER: Oh, yes. Sit down, Mr. Nathans.

MR. MILLER: Mr. Nathans, referring to the 11-1/2 per cent; that, as I understand it, includes the milk that was manufactured into cheese or butter?

MR. NATHANS: Yes, sir.

MR. MILLER: Cheese and butter?

MR. NATHANS: Yes, sir.

MR. MILLER: And in the 84 per cent. is included the milk that was condensed?

MR. NATHANS: That is what we know as plain condensed, sold in 40-quart cans, not condensed in hermetically sealed tins.

MR. MILLER: In which part of your tabulation then does that which is condensed in these tins appear?

" MR. NATHANS: These companies were not in that business of condensing in tins.

MR. MILLER: None of them?

MR. NATHANS: No, sir.

MR. MILLER: Then nothing in the tabulation that you have given shows either the profit or the loss that

would occur in using any part of this surplus in condensed milk?

MR. NATHANS: These companies were not in a position; they are in the business of supplying the New York market with milk, and they are not in the position to condense except by the installation of special apparatus.

MR. MILLER: And do I understand you to say that none of these companies condense at any point?

MR. NATHANS: These companies did not at that time, and the three of them that are in existence today, I believe do not condense at the present time. I do not believe any of them condense in the small tins, no, sir. It is the Alexander Campbell Milk Company, the Sheffield Farms, and Empire State Dairy.

MR. MILLER: You don't include in this tabulation the Borden Company?

MR. NATHANS: No, sir.

MR. MILLER: No.

MR. NATHANS: No, sir; for the reason that they are able to dispose of their product, or were to a large extent. I do not know to what extent last year, but to a large extent were able to dispose of it to their parent company, as has been explained. In other words, it is free to turn it over, and the condensing company, therefore, stands the loss or makes the profit as the case may be.

MR. MILLER: May I ask you again to state how much

per quart on the milk sold in the fluid state the loss is on the manufactured products?

MR. NATHANS: I could not state that offhand. I could give it to you perhaps by computation; but we reduce milk cream and this condensed milk, this plain condensed, to the terms of fluid milk in order that we might make a comparison between purchases and sales.

MR. MILLER: Well, that would be satisfactory. And what did you find the loss per quart on that?

MR. NATHANS: 1.23 mills per quart.

MR. MILLER: That is all.

MR. ALGER: That is on all the milk that they bought during that period?

MR. NATHANS: No; that is on the milk that they sold. Each quart sold would have to bear that.

MR. ALGER: Oh, I see what you mean; yes.

MR. NATHANS: The milk purchased.

MR. ALGER: The milk sold would have to bear that additional burden in order to make you break even.

MR. NATHANS: Yes, sir.

COMMISSIONER SCHOEN: Mr. Nathans, did you convert any of this surplus milk into condensed milk?

MR. NATHANS: No; I have just explained to Mr. Miller that these companies are not equipped; they are market milk companies, they are not equipped. When you say condensed now, you refer to the hermetically sealed condensed cans.

COMMISSIONER SCHOEN: I do not care how it is condensed, whether in sealed cans or any other way.

MR. NATHANS: Well, there are two very different sorts of condensed milk.

COMMISSIONER SCHOEN: Well, let me have the other form then.

MR. NATHANS: We have a form of condensed milk that is used by restaurants, bakers, confectioners and so on, known as plain condensed. That is sold in 40-quart cans. It is a legitimate business of the milk distributor, the fluid milk distributor. We have the other form put up in the hermetically sealed tins, which is a distinct and separate business entirely.

COMMISSIONER SCHOEN: No; I refer to any form of condensed milk which you made from any form of surplus milk.

MR. NATHANS: Oh, yes; there was some of this plain condensed milk, as there is every day.

COMMISSIONER SCHOEN: Have you any figures on that?

MR. NATHANS: As to the value of it?

COMMISSIONER SCHOEN: As to the value of it and the volume of it and the profit and loss on it.

MR. NATHANS: No, sir; I have not undertaken to show the profit or loss on any of the milk handled, milk, cream or condensed milk. This statement shows value of surplus only.

COMMISSIONER SCHOEN: Well, I mean surplus; I refer only to surplus. I want to know whether you have made any of this bakers condensed milk out of any of this surplus milk?

MR. NATHANS: Out of the surplus?

MR. COMMISSIONER SCHOEN: Out of the surplus, yes.

MR. NATHANS: No, sir; it would not be surplus if it was made into bakers condensed. That is legitimate business, see?

COMMISSIONER SCHOEN: I see.

MR. ALGER: Any further question of Mr. Nathans?

THE CHAIRMAN: Any further questions by members of the commission?

MR. ALGER: I have nothing more this morning.

THE CHAIRMAN: Now, the gentleman that wanted to speak for the retail groceries.

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N A T H A N P A D G U G , appeared as a witness, being first duly sworn, testified as follows:

THE WITNESS: Now, I have heard you gentlemen, that you are considering whether or not our wholesale milk dealers are making a profit; also considering the question whether or not they are entitled to an increase in their milk. One fine morning our groceries were told that they would have to pay \$4.20 per can for their milk; and they also added that they could not sell it for more than 11 cents per quart; that is,

that the retail price to the consumer would have to be 11 cents. How it could be done was the question of every grocery, every dealer; and the answer was, "Go to the Food Commission and they will tell you," or, "fight with them and not with us."

Now, there is a question. I see that you are considering delivery, work, distribution, interest on money that is invested, and so forth, for the wholesale dealers. How on earth they could place a price of 11 cents per quart when the price to the retail dealer is \$4.30, assuming that there were 40 quarts in a can, which those men who know the milk business know very well that on an average there is between 37 and 38 quarts in each can. Now, assume that there were 40 quarts in a can, how could a grocery measure out 40 times from the can, losing milk, sell at a half cent above the cost?

THE CHAIRMAN: May I interrupt just a moment?

THE WITNESS: Yes, sir.

THE CHAIRMAN: The number of quarts in a can is steadily diminishing. The first testimony is that it was around 39; then between 38 and 39; now you say between 37 and 38. We are just a little puzzled to know how much a can holds.

THE WITNESS: You did not hear then a statement of the retail grocery, but the man that is actually measuring out a can of milk, and I also happen to be one who was connected

with the City of New York in their measuring can once upon a time, I was Inspector of Weights and Measures myself for six years; and I can say truly that it is never more than 38, hardly 38; that those dents in the cans takes off about two quearts. I do not know what takes off the rest, but there is never more than thirty-eight, and often less than thirty-eight quarts in a can.

This notice would make it 11 cents to the grocer. Now, if you gentlemen will consider that the grocer also has losses, and very often that he loses the money with his customers, that in measuring out 40 quarts or 38 quarts, thirty-eight times and sometimes a half quart, which makes it more than thirty-eight times, that he loses some milk; that in doing so of course there is no question of making any profits but he loses enormously. I am here on behalf of the retail grocers. While you are considering the question of the price from the wholesaler to the retailer, that you shall also consider the price that the retailer is entitled to, at least a cent on a quart profit above his expenses. It is not my intention here to make a suggestion whether or not the price that the wholesalers charge is correct. It only - my attention was also attracted by the fact that the distributor of the Standard Dairy Company - and I can state, and very truly say that in the few questions that Mr. Williams asked, as to whether his low cost in distribution is due to - well, poor treatment of the customers -- I can state that I think the Standard Dairy Company is about

the fairest company and gives the best treatment of all the other companies.

MR. ALGER: I hope Mr. Berg is here.

THE WITNESS: I do not think he is here. I know from what I have heard from my grocers, and they like to deal with the Standard Dairy Company as a matter of fact, and I have known of a good many grocers who after they have had their quarrels with their dealer, that they said they would go to the Standard, which is the company they want to deal with, and they are doing it at a very low rate. It seems to me that some companies who have their milk route scattered and may have a few cans in one place and a few cans in another place, and trying to hold up their trade there thereby increasing their expenses; and I think if those couple of cans in a certain section were given to the dealer who has a number of customers in that section, that that would reduce and reduce greatly the price of the other distributors.

Now, this is about the proper way, and of course if are going to increase above \$4.20 to the wholesaler, it would come about 13 cents to the consumer per quart; and while you have to allow it to us, I can state that on the East Side and in all the other congested sections, where the poor people are, it will be impossible to charge thirteen cents. It will

be almost impossible for them to pay thirteen cents for loose milk. I can state that these large companies like the Borden and Sheffield, I can't see any reason for the high cost of distribution, because most of the distribution is done in their own stores. They have their own stores. Out in the East Side they have their own stores, and they distribute it right to their own stores and sell it in in their own stores, and they make a profit on it there which is not given to you gentlemen here. When the answer was given by the accountant that some of the smaller dealers have contracts with restaurants, they know very well how much they sell in their own stores, and be sure there is no loss on it, too, because they sell it to a customer, no customer gets away with it because it is all cash. I think if the commission will, as a matter of suggestion, take this matter up; and I think that the distributor's cost can be reduced enormously, and the price can remain at the very price it is today, \$4.20, which we consider is sufficient; and allow the retailer to sell it for 12 cents, which will not give the retailer one cent profit on a quart.

THE CHAIRMAN: Permit me; if you pay 11 cents you can sell it for 12 cents, or if you pay 10 cents you can sell it for 11 cents, — your clients, I mean.

THE WITNESS: If we pay 10 cents for actual 40 quarts of milk, of course. If we got 40 quarts in a can we could sell it for 11 cents.

COMMISSIONER BROWN: May I ask a question? What are the requirements of the Mayor's Department of Weights and Measures and the ordinances relative thereto, relating to the delivery, or relating to the labelling and delivery of contents of cans?

THE WITNESS: Every can should contain the number of quarts that is on the outside, either in the label or impressed on the can, 40 quarts of milk.

COMMISSIONER BROWN: Is there any technical reason why, if that can is not so labeled as containing 40 quarts, the dealer^{need}/not deliver 40?

THE WITNESS: No, there is not. I think the dealer should take care of his cans; but I can state that the Bureau of Weights and Measures is lax in its duties; but once in a while, upon a complaint, they rush out and make a raid, and take away the cans. They might not have a complaint like this in a few years, and then they will let it go until they get another complaint; and that they actually do not do the duty, as far as quarts of milk is concerned, -- this loose milk is concerned; and I will tell you why, most of the loose milk is handled by those small grocers who are not entitled to as much attention as some other big fellows are.

COMMISSIONER BROWN: I quite comprehend that. Wouldn't that be one way of helping the small grocer?

THE WITNESS: Giving them 40 cans?

COMMISSIONER BROWN: Giving them 40 quarts in a can.

THE WITNESS: Giving them 40 quarts in a can?

Why, gentlemen, if you do that I think you will do the greatest thing they have ever done for the grocery trade. They have tried to do that very often and they could not.

COMMISSIONER BROWN: I have been an inspector of weights and measures, too, and I never saw any trouble about enforcing the law, if you went at it right.

THE WITNESS: Well, I suppose those were very long days ago.

COMMISSIONER BROWN: I have never been an inspector of weights and measures in New York.

THE WITNESS: Well, let me tell you that the trouble with that is that weights and measures today is taking its time up with everything but weights and measures. We know that the Commissioner of Weights and Measures who was is also secretary of the Mayor's Food Committee and so on, and taking up most of his time with that.

THE CHAIRMAN: I doubt if that is pertinent.

MR. ALGER: Yes; I was going to suggest we had more oratory than statements of fact.

THE WITNESS: I would like you gentlemen of the commission to consider the retailers' plea.

COMMISSIONER SHEDRICK: What price do you need or what margin do you need? This measure, as far as that goes, don't impress me very much. You do not mean to tell me that these distributors are picking out the stinted cans

for the grocery stores. They are supplying their own stores with the same kind of cans, aren't they?

THE WITNESS: Well, I guess they don't pick them out particularly for these grocery stores now.

COMMISSIONER SHEDRICK: Let us take and talk about something pertinent to the question. What profit do you need, or what spread do you need between what the milk cost you per quart and what they have to sell it at, to make a reasonable profit?

THE WITNESS: At least one cent per quart.

COMMISSIONER KITTREDGE: Would your milk fall off, your consumption of milk, if it was raised to 12 cents, enough so it would be against the trade, so that you would suffer?

THE WITNESS: Against the grocery trade?

COMMISSIONER KITTREDGE: Yes, sir; I mean, would it fall off?

THE WITNESS: Well, I can't see how it would fall off, excepting to some poor families who would not use so much milk; but they could not buy bottled milk, because this is so much higher than the loose milk.

COMMISSIONER KITTREDGE: You spoke of 13 cents reducing the consumption. I was wondering whether it was just 13 cents, or whether 12 cents would reduce the consumption?

THE WITNESS: I should imagine that even 12 cents would reduce the consumption. Of course it would. Some poor families can't afford to pay that, and they would have to

lessen it. But 13 cents would be out of the question for poor people to pay for less milk.

MR. NATHANS: Mr. Chairman, may I just make a statement? Those computations as to the last exhibit filed there as to butter and cheese, are correct. I was uncertain whether they were.

THE CHAIRMAN: Anything further, Mr. Alger?

MR. ALGER: Nothing more this morning.

THE CHAIRMAN: We stand adjourned until two o'clock this afternoon.

(The Commission thereupon at one o'clock p. m., adjourned to meet at two o'clock p. m.)

After Recess, 2 o'clock p. m.

The Chairman called the meeting to order at 2:30 o'clock p. m.

THE CHAIRMAN: Mr. Alger, U understand you have additional testimony this afternoon?

MR. ALGER: I have.

THE CHAIRMAN: We are ready to hear it.

MR. ALGER: As I stated this morning, the commission has been taking testimony as to the valud of liquid milk. We have had testimony from various distributors who have had the advantages of condensed milk plants to which their output could go, by which they have been able to avoid the expense of surplus by having these condensories. In the past they have been able to send their milk to these condensories without substantial loss on surplus. The condensed milk business is very closely interwoven with the liquid milk business down here, as you doubtless know. I think it is important at this time that you should receive from the mouth of a person who knows the present condition of the condensed milk business and its prospects for the immediate future, owing to war conditions, some testimony as to the same. I had also intended to give you an equally complete picture of the cheese business, which is also interwoven with the liquid milk business, in which the conditions are even worse, if anything than the conditions threatening the condensed milk business; but I am going to start in with the condensed

milk.

S T E P H E N J. S C U D D E R, called as a
witness in behalf of the distributors, being first
duly sworn, was examined and testified as follows:

QUESTIONS BY MR. ALGER:

Q Mr. Scudder, what is your business, please?

A Treasurer and general manager of the Mohawk Condensed
Milk Company.

Q And that condensed milk company does business in
the State of New York? A Yes.

Q And also throughout the United States? A It does.

Q And as an officer of this company, are you famil-
iar with the conditions of the condensed milk industry? Are
you? A I am.

Q I wish you would tell the commission in your own
way something about the present conditions which confront
the condensed milk business, and their causes? A Well, in a
statement regardint the present condition -- of the con-
densed milk industry, I must base it entirely on conditions as
they exist today; and as it appears to us will continue for
some time in the future. The world is crazy for condensed milk.
The manufacturers have increased their production from 1915
to about 16,000,000 in 1916 --

Q (Interrupting) 16,000,000 what? A Cases.

THE CHAIRMAN: What does a case represent?

THE WITNESS: Why, roughly, you can say a hundred

pounds of raw milk, if you want to get it back into terms of raw milk. The 1916 pack ran about 20,000,000 cases; 1917 pack about twenty-five and a half million; and the industry was prepared to pack during 1918, I should say somewhere in the neighborhood of thirty millions of cases. The domestic consumption of canned —

Q (Interrupting) Before you get to that, Mr. Scudder, would you mind stating what effect that increase in packs had upon the condensed milk companies within the radius of the City of New York? Was there an increase in the number of those companies and an increase in the amount of their pack in proportion? A I should say there were 25 to 30 new factories inaugurated or planned to be installed from the middle of 1916 to the first of June, 1918; and these factories have for a number of years past taken from the hands of the fresh milk shippers their surplus. There also has been an exchange of courtesy in the winter time; when the fresh milk shippers have been short, the condensers have always helped them out with their supply. Condensers have, up to within the last ten days, been taking the surplus from city market dealers. But the situation has changed now in regard to our outlet, because France, England, Belgium and Italy have forbidden private dealing in condensed milk and has made it a governmental controlled article. These countries buy through a branch of the British War Mission, which is called the Allied Provisions Export Commission, and

British Ministry of Food has limited them to a space of 6,000 tons per month of condensed milk, possibly 1500 tons per month for France and 300 tons a month for Italy and 300 tons a month for Belgium.

THE CHAIRMAN: Mr. Scudder, will you explain what you mean by "space"?

THE WITNESS: The british bottoms have all been taken over by the Ad,iralty, and the British Ministry of Food, the British munitions have applied for space in the bottoms. Arbitrarily such amount of shipping has been set aside for the British Ministry of food. Then she in turn sends in her lieutenants, and the bean man asks for a certain space, and the flour man asks for a certain space, and so on; and naturally the issue is very popular and it is over-subscribed, and it amounts to some sort of a compromise. Now, the milk was arbitrarily set at 6,000 tons, which would be roughly somewhere between two hundred and sixty thousand and three hundred thousand cases a month, for civilian needs. There is 250,000 cases a month still going to England on a war contract; but this is taken possession of in New York by the Admiralty, and it does not figure in this allotment of 6,000 tons of space. I should say that that was a cut from the recent shipments, of probably one-half. There must have been from ten thousand to twelve thousand tons going to civilian population in the United Kingdom. These English orders have been filled, the great

bulk of them, at a very high margin of profit; at a dollar a case profit over the domestic price, because under the Food Administration a man's domestic profits are not regulated; he is a licensee in his domestic operations and not under his export operations. His exports are not regulated. Under the buying powers of the Allied Provisions Export Commission, it can only buy of the United Food Administration. The United Food Administration buys in turn only from manufacturers, on the basis of the manufacturers' domestic profits, which are regulated by the Food Administration to thirty cents a case on evaporated and forty cents a case on sweetened. So that therefore all of the milk going to the civilian population of England will be bought and sold on the same margin of profit in which the manufacturers for domestic trade are controlled. That has brought about a considerable anxiety in the milk trade, because a great many concerns have been planning to enter this export business, particularly with a dollar a case extra profit dangled in front of them; and the efforts of the exporting trade, or what we call the brokers. The orders are allotted by the Food Administration to those manufacturers who elect to share it on the basis of each manufacturer's production, prorated by the entire production of the United States, and not upon a predicted production. There has already been a great retrenchment in the condensed milk industry. There are at least four hundred thousand cases in

New York today which will have to be thrown on to the domestic market. There exists in the hands of the brokers, I should say a surplus stock of a million cases already.

That is the picture of the situation, the way it looks to us today. Of course, you realize the same governmental agencies which set apart 6,000 tons may in the future set apart 8,000 tons. It may at the same time give us only 4,000 tons; but England is being rationed on its 1916 basis, and they arbitrarily have cut the consumption of various articles. Milk is only one of them, and the chances are that the space will be reduced as the U-boats gain upon our shipbuilding programme; and as our shipbuilding programme gains upon the U-boats the space will be increased. So, one man's guess is as good as the other, as to whether the space will be increased or decreased. The industry feels it has been going ahead too fast, even if the outlet were left open; and with this shut-down in the limitation of space --

Q (Interrupting) How recent has that shut-down been, Mr. Scudder? A Why, it came February 1st, officially.

Q When did it go into effect? A Why, it has already gone into effect.

Q It went into effect on February 1st? A The February allotments have been made.

THE CHAIRMAN: Have you any opinion, Mr. Scudder, that you can express on the basis of a reasonable definite

knowledge whether our shipbuilding situation is going to blossom out rather abruptly because of what we have been doing? In other words, has the period of fruition pretty near attained in our shipbuilding programme?

THE WITNESS: Well, I would not be qualified to answer that, except as a personal opinion; and I should say that our shipbuilding programme will be six months to nine months late.

Q The net result of the situation so far Mr. Scudder, is that you have got an enormous quantity of condensed milk in New York, or in this neighborhood, capable of domestic consumption, incapable of being shipped under these rulings of the British Admiralty, and which milk has got to be disposed of in this local market. Is that what it amounts to?

A That is the situation.

Q Do you know whether any of that condensed milk has already begun to be dumped on the market? A I heard of one lot of 5,000 cases. The French interests are harder hit than the English. France took no milk in February because she needed the cereals so much worse than she did the milk, and she is going to take none in March, and there is a lot of milk owned by the French people -- not the French Government, but French commercial interests, that are now asking permission to throw upon this market. Of course, they haven't licenses as a wholesaler, you know, and they would have to get licenses from the Food Administration before they attempted to sell in this market. They are operating now under an

exporting license.

THE CHAIRMAN: What are the limitations now upon your storage?

THE WITNESS: 60 days.

Q It has either got to be disposed of in that 60 days or dumped on the market?

COMMISSIONER SHEDRICK: Has that act affected prices any?

THE WITNESS: Why, there was a break in the market yesterday of fifty cents a case on the tall size and seventy-five cents a case on the baby size. There is no reason for it, except the demoralization.

COMMISSIONER SHEDRICK: In the February price of milk in New York, did that show a reasonable profit?

THE WITNESS: No, it did not.

COMMISSIONER SHEDRICK: Did it show a loss?

THE WITNESS: Oh, just about a break even in the February price.

Q Is there any readjustment you have to make of your own prices to jobbers that hold your goods, on account of those breaks? A Why, there is a very vicious practice in the condensed milk trade. We have gone to the Federal authority on it, but they have not done anything to stop it. If a condensed milk manufacturer sells a jobber five thousand cases of milk at \$6.00 a case, and reduces his price to \$5.50 at any time before that milk is sold, he immediately

has to rebate that jobber 50 cents a case in cash.

Q So that all the milk that there is in the hands of jobbers now, bought at a higher price, will automatically receive a lower price and be in a position for sale in the New York market? A Yes.

Q And you estimate that there are a million cases of milk now held here? A Oh, no, not here.

Q In this country? A I say 400,000 in New York. That is our biggest seaboard.

Q I think you said cans. Did you mean cases? A 400,000 cases.

Q 400,000 cases in New York. Does that include the French Government, the French brokers' milk, condensed milk?

A Well, I should say that it would. That is a small lot, the French stock.

Q Now, is this same condition true of evaporated milk?

A Well, I was speaking of the condensed milk situation as condensed milk, without trying to draw a difference between sweetened and evaporated.

Q I see; it includes the whole thing? A It includes the whole thing. The break, however, came on the evaporated.

Q Well, what immediate effect do you anticipate that the new conditions will make in the condensed milk business in this New York locality or district? A Why, as a matter of fact, the manufacturers will limit their operations.

Q Heretofore the manufacturers have been looking for more milk? A All the time.

Q And now the manufacturer is going to put milk away, is he not? A He has a troublesome stock today, and he naturally is not going to reach out.

Q Would you say that the condensed milk companies as a whole were overstocked today? A Why, I should say that the industry as a whole was overstocked. There might be one or two specific instances where certain companies were sold down to a normal stock, but with the block up in the transportation which we have had since along the middle of January, even if there was a free outlet at seaboard the manufacturers were caught with heavier stocks than normal.

Q Now, about your transportation difficulty; tell us something about the can question. Have you troubles about getting your cans for your condensed? A Why, the can-making programme has almost fallen down. There are probably fifty per cent of the tinplate mills today shut down.

Q Why? A Some on account of the inability to secure cars to ship the thinnest plate, and others, from the lack of inbound material. I think if I am not mistaken, the tinplate industry requires something around thirteen hundred or sixteen hundred 30-ton cars per day to move the inbound stuff and the outbound stuff, and the average has only been about 550 cars a day. Some of the can plants are shut down on account of the inability to get plate, and the whole

~~preserve fruit~~ programme of 1918 is in a rather hazardous position, unless this transportation matter gets straightened out very shortly, because the tinplate mills work at a hundred per cent. capacity to June 15th. If all of the plate goes into food containers, it can't make any more than enough stuff to make the cans required.

Q Even if the condensed milk were required by change in this shipping regulation, the can difficulties would still remain? A Some part of the food products requiring cans has to suffer. I presume condensed milk would bear its share along with the others.

Q Now, you started at the beginning of your remarks to tell us about some 25 to 30 new plants, in addition to the old and well-established condensed milk plants, having been established. Did you mean in this country or in this particular section? A Why, I should say that there were 10 or 12 in New York State about ready to come in, somewhere between April and June. These are concerns that have been making bulk goods and have been induced by the lure of the English high profits to buy canning machinery, and the output of these concerns has been contracted in some instances for three years to exporting concerns. While it remained simply a tryout of the contractual relations between the packer and the exporter as to whether those contracts are good, if they are good and the exporter is forced to take them he naturally must throw the stuff on to the domestic

market, which will add still further to the demoralization.

Q Now, is there anything further you have to add about that feature of the condensed milk situation? You have told us about the new shipping regulations; you have told us about the can conditions, transportation conditions. Is there anything else that you want to add? A Why, from a domestic standpoint, the regulation of the industry is based upon thirty cents and forty cents.

Q Just what do you mean by thirty cents and forty cents? A That is, profit. The Food Administration allows us to obtain that much. And we have to compete in the Middle West with plants in the Middle West; in other words, the condensed milk made in the East is not all sold in the East, and the milk made in the West is not always sold in the West. We have always had about an even break with the Chicago prices; that is, the New York milk prices have always been higher than the Chicago prices during the winter months, and they have always been lower during the summer months. If there is a difference of fifty cents between the Chicago prices and the New York prices, the manufacturers' profits is held to thirty cents, and it takes from a hundred to a hundred and ten pounds of milk to make a case of evaporated milk, so the New York manufacturer is certainly precluded from shipping his milk to Illinois and Indiana to compete with the condensers who buy their milk in that same district at fifty cents a hundred less.

Q Well, would it cover competition in other portions of the United States as well? A I do not get your point, Mr. Alger.

Q I can see the difference in cost which would make a difference, which would limit your capacity to compete in that immediate territory, Illinois and so forth; but isn't it -- is that difficulty in competition, the difference in price, likely to affect you in other sections in the country? A Oh, it will affect us right in our own State.

Q That is what I meant. A It will affect us in our own city, because, for instance, we have a twenty per cent. freight rate from Western New York to New York City. I am not quite clear, but I think Chicago freight to New York is only thirty-eight cents.

Q So that the natural effect would be, if you are going to continue making condensed milk, even though you slow down the place where you would naturally make your condensed milk would be the place where you can get your milk the cheapest?

A Oh, yes, we always did have factories in the different parts of the country, and the natural tendency would be to buy very heavily at the Western points where the milk is cheaper and buy just enough at the Eastern points to keep them going.

THE CHAIRMAN: What are the condenseries paying in the Chicago district? The price paid by the commission?

THE WITNESS: Yes, paying the price set by the commission.

THE CHAIRMAN: And in the Eastern districts, the price paid by the commission?

THE WITNESS: Yes.

MR. ALGER: They have up to the present time?

THE WITNESS: They have up to the present time.

THE CHAIRMAN: Is there anything in relation between the condensories in the Chicago district and those in the East whereby preferences would be shown?

THE WITNESS: What do you mean -- the brands?

THE CHAIRMAN: No, on any business relation, so that they would slow down in the East and speed up in the West?

THE WITNESS: No, I say concerns who have factories in the West and the Middle East, both.

THE CHAIRMAN: They would slow down here and speed up there on that basis?

THE WITNESS: Naturally.

THE CHAIRMAN: Yes.

Q What is the immediate effect, Mr. Scudder, which you can reasonably anticipate which this condition caused by freight, caused by the shipping regulations and the other causes which you have enumerated, will have upon the condensed milk industry or business in the State of New York and in the territory now supplying the New York market with its liquid milk?

A It is going to add to the surplus of the New York City market.

Q Now, just why is it going to add to the surplus?



A because the manufacturer is not going to extend his operations beyond his usual zone of territory, and the loyal farmers with whom he has done business for a number of years. Now, assuming that he has been handling, as all factories have up to last week, surpluses -- well, I can't speak in New York State particularly, but I know of one condenser in the West who handled last week 200,000 pounds of milk as surplus from Columbus and Cleveland shippers. One company has been handling from 25,000 to 35,000 cans a day as a surplus from Philadelphia, right up in our own State. Well, now a manufacturer is not going to absorb his surplus and increase his production until he has a market for his goods; in other words, he will maintain his own activity in his zone, but he is not going to work with the New York fresh-milk man and relieve him of his surplus until he is assured of a market for that stuff, and certainly a profit.

Q In other words, it is reasonably to be anticipated that the surplus which the dealer in liquid milk has, has got to be carried in some other way than by handing it to the condenser?

A I should say so.

Q And that practically covers all the distributors of liquid milk who heretofore have been taking their surplus to the condensory, does it not, in this district? A Why, yes, in the New York district they have taken large quantities of surplus right from the start, because they have had no limit to their output.

Q That is, your condensers were glad to get the milk?

A Very glad to get it. Nothing charitable about it at all. They made money on placing it.

Q And that rosy condition has disappeared? A It has disappeared for the present.

Q Do you know anything about the cheese situation, Mr. Scudder, or is that entirely out of your line? A That is entirely out of my line, except as a matter of gossip, that is all.

MR. ALGER: Any further questions by Mr. Miller?

THE CHAIRMAN: Mr. Miller, do you desire to ask any questions?

MR. MILLER: Yes, just one, please, or two. Mr. Scudder, referring to the purchase by the United States Government, I understood you to say that they buy the condensed milk for the foreign Governments?

THE WITNESS: Yes.

MR. MILLER: And in connection with the purchase for the use of this Government?

THE WITNESS: Yes.

MR. MILLER: All is purchased together?

THE WITNESS: Yes.

MR. MILLER: Yes?

THE WITNESS: The Army and Navy, Belgian Relief, Red Cross, and the Allied Provisions Export Commission.

MR. MILLER: Referring to the quantities of condensed milk that is shipped abroad by this Government for the use of

the troops abroad, is that included in the space which is limited to 6,000 tons?

THE WITNESS: Oh, no, Judge. Understand, the 6,000 tons is simply civilian population of Great Britain; it does not include its armies; it does not include its admiralty.

MR. MILLER: That is what I was trying to get at.

THE WITNESS: It is purely civilian.

MR. MILLER: Purely civilian. What, if any, limit has been placed upon the space for condensed milk exported for army uses, military uses, in all of the countries?

THE WITNESS: There is but 3,000,000 cases a year going out of here for military purposes for the Allies. That is a contract which has been in existence for some time, and which England protects, and which she takes in her admiralty boats instead of her commercial shipping boats. There is no -- well, there was a small requirement, about 28,000 cases a month, which went to France; and that was for feeding the prisoners of war. Our own stuff is carried by our own transports and not by our commercial ships.

MR. MILLER: That is a point I wanted to get at. And can you state to the commission approximately the amount of such monthly exports now?

THE WITNESS: To the army?

MR. MILLER: Yes.

THE WITNESS: The army's requirements now I think is based — is 65,000 cases a month exported.

MR. MILLER: And about how much is the monthly export to the foreign countries for their armies, which they take on the admiralty ships?

THE WITNESS: 3,000,000 cases a year.

MR. MILLER: 3,000,000 cases a year?

THE WITNESS: Yes.

MR. MILLER: And 30 cents and 40 cents a case profit respectively for evaporated and sweetened condensed milk, that is a profit that the condensers receive above their costs?

THE WITNESS: Oh, no, it is not.

MR. MILLER: It is not?

THE WITNESS: No, it is not.

MR. MILLER: How is that based?

THE WITNESS: A good deal of this information has gone out in regard to that.

MR. MILLER: That is what I would like to find out.

THE WITNESS: The regulation is made upon the average of the industry for the year, not upon each particular manufactory. The Government says, if you are fortunate enough to be a successful manufacturer and can make 30 cents and 40 cents, you are allowed to keep it, but if you are an unfortunate manufacturer and you can't make the 30 cents and 40 cents in competition with your neighbors,

then there is nothing in Governmental action that guarantees that to you. In other words, there is a stop to your profit but no guarantee to your profit.

MR. MILLER: In the contract between the condenseries and the Government, is there a clause which prohibits the condenseries paying farmers more than the prevailing price in that locality for milk?

THE WITNESS: No, there is not.

MR. ALGER: As a matter of fact, it is rather customary among some of these condenseries to pay more?

THE WITNESS: Oh, I have the point which the Judge has in mind. I would be very glad to elaborate it.

MR. MILLER: Do so.

THE WITNESS: It does not apply to the Allied needs, the army, our Government or our charitable organizations.

MR. MILLER: I was referring to certain -- in my own mind -- to certain statements that were filed with the Food Administration, in which it was stated that under their rulings the condenseries were restricted in the price they paid to farmers in the prevailing price in that locality. Have you any knowledge of that?

THE WITNESS: Why, I formulated the rule.

MR. MILLER: And what is that rule?

THE WITNESS: It is a war trade board rule, stating that a manufacturer who applies for an export license, but

has no limitations to the civilian needs at all. If a manufacturer does his own license, his own exporting, he is presumed without a further certificate to state that he has not in the purchase of that milk exceeded the prevailing prices in the territory in which his condensory is located.

MR. MILLER: And what was the necessity for that stipulation?

THE WITNESS: The necessity was brought about by the -- I wish I had bought the file on the subject. I have had it up with every farmers organization or journal in the country, I think. It was brought about for the protection principally of the butter and cheese men. We had as high as fifty complaints a day, stating that a condenser would be -- would connect up with a foreign contract, particularly one who -- one in which he was guaranteed a certain profit above cost; and in his haste to secure a territory for which to draw milk for that export contract, he would immediately locate himself in the territory of a creamery or cheese factory or a shipping station and announce that no matter what price his competitor paid, he would pay fifteen cents or twenty cents or twenty-five cents above that price. That was the basis, the reason for the rule.

Now, then, when you come to the operation of the rule, it was a difficult matter. In territories where there were officially recognized distributors' associations, naturally their negotiated price was the prevailing price. When you

came into territories where there was no recognized producers' associations, why then the prevailing -- the extreme prevailing price was so elastic as to convict pretty near every offender; and the cases were settled by negotiation through Judge Lamb's office. In other words, nobody has ever been penalized and nobody has his license ever revoked. But the argument was brought about by innumerable cheese interests particularly, that they looked upon the condenseries who took a contract for export purely as a temporary matter during the period of the war, and that he would disturb the cheese manufacturer's market, practically ruin it. And then at the conclusion of the hostilities, when the condenser, in he were operating simply a war baby, would scatter that milk in such a way that the farmers would have lost their old-established outlet. If there is any particular point as to the limitation of milk made by the condenser, the administration has not had to meet that point. It was a war trade board regulation pure and simple, but it became necessary for the Can Food Division of the Food Administration to formulate it.

MR. MILLER: Is the price that the Federal Government pay for condensed milk a fixed price per case?

THE WITNESS: Yes, based upon the general market conditions.

MR. MILLER: Based upon market prices?

THE WITNESS: Market price quotations.

MR. MILLER: Prices of what?

THE WITNESS: Prices of the various brands, all the brands compiled into --

MR. MILLER: (Interrupting) The market price of the finished products?

THE WITNESS: Yes.

MR. MILLER: And are not at all based upon the cost of production of the product?

THE WITNESS: Not now. They were the first three or four months.

MR. MILLER: And when was the change made? About when?

THE WITNESS: The change was made just at the time when normally the condensers profit begins to creep down; in other words, they fix the profit based upon cost with a certain percentage during the months in which there was a low cost. It has been the history of the condensed milk trade and in fact in a number of the milk commodity trades --

MR. MILLER: Right there, pardon my interruption -- could you tell us approximately the time, without reference to the conditions -- about the time that the change was made?

THE WITNESS: I think the change was made in October, Judge.

MR. MILLER: October?

THE WITNESS: I think October or November.

MR. MILLER: Then under the present regulation that the purchase by the Federal Government of the condenseries, the price they pay is based upon the market price of the finished product?

THE WITNESS: Yes.

MR. MILLER: Any profit added to that, or is that the net price as fixed?

THE WITNESS: No, the Government moves on the theory that if the manufacturer sells to the public at a certain price, they should sell to the Government at the same price.

MR. MILLER: And it is sold to the Government at the same price?

THE WITNESS: The same price. Just the arrangement of the trade; that is, the Government takes it at the factory.

MR. ALGER: In other words, when you get to the question of further supplies to the Federal Government, after this new regulation has gone into effect the Government is going to buy its condensed milk a good deal cheaper than it has in the past?

THE WITNESS: Yes, and so is the public.

MR. ALGER: So is who?

THE WITNESS: So is the public.

MR. MILLER: And the Government takes the condensed milk at the plant, at the market price in the cities, in

the markets?

THE WITNESS: No, there is a freight differential.

MR. MILLER: They make the freight differential?

THE WITNESS: Yes.

MR. MILLER: You stated, I think, in the early part of your statement, Mr. Scudder, that during the past winter and in the winter before that time, the condensories had supplied the milk dealers with fluid milk during the short months. Can you state to the commission approximately how much milk was so supplied during the winter of 1916 and 1917?

THE WITNESS: I think none in 1916 and 1917. I think there was a little bit of a flurry in December, 1917. I do not remember any call during the winter of 1916 and 1917.

MR. MILLER: I am referring to the -- trying to find out if during the winter of 1915 and 1916, if there was or not a shortage of fluid milk in the city supply, which the condensers turned over to the fluid milk distributors?

THE WITNESS: None that I recollect of in the year 1916 and 1917.

MR. MILLER: Can you state approximately the number of cases of condensed milk that was in storage one year ago and two years ago this time?

THE WITNESS: No. Those records are compiled in Washington. I think they could be obtained. The Department of Agriculture compiled them.

MR. MILLER: What would be your judgment as to how much the present supply is in excess of a year ago?

THE WITNESS: Oh, I should say that the supply to-day is at least a hundred per cent. more than a year ago. There was a very short market last year this time.

MR. MILLER: A short market a year ago?

THE WITNESS: Yes.

MR. MILLER: And how would it compare with the surplus stock two years ago?

THE WITNESS: About the same. You see, the history of the condensed milk has been that a tremendous pack and a surplus on the market in the summer time and a corresponding shortage in the winter.

MR. MILLER: In the winter?

THE WITNESS: It follows the fresh milk right through.

MR. MILLER: I think that is all.

THE CHAIRMAN: Does any member of the Commission wish to ask a question?

COMMISSIONER SHEDRICK: I would like to ask Mr. Scudder a few questions. You started to mention, when you were interrupted, the probable pack of condensed milk in this country, provided all the new condensories that were now coming into the market were given the full swing of sales and the entire industry was run at the high pitch. What would you say that figure would be?

THE WITNESS: I should say that figure would be thirty millions of cases.

COMMISSIONER SHEDRICK: Thirty millions of cases. From the output as shown in the sales in this country, plus what the Government are now allowing to be exported by limiting the space in the bottoms, also plus the war condensed milk for army purposes and the admiralty; what would be the output in sales, in your judgment, for this coming year?

THE WITNESS: Based on the present programme?

COMMISSIONER KITTREDGE: Yes.

THE WITNESS: Domestic and outlets?

COMMISSIONER SHEDRICK: Yes.

THE WITNESS: Oh, between twenty-four and a half and twenty-five millions.

COMMISSIONER SHEDRICK: Then how many million cases has he got to go into surplus, in your judgment?

THE WITNESS: Well, it won't go in, Mr. Shedrick, because they would not make it.

MR. ALGER: Simply would not take the milk?

THE WITNESS: They would not make it.

COMMISSIONER SHEDRICK: But that milk has got to go somewhere. It is here.

THE WITNESS: Yes, it has got to go somewhere, but manufacturers will not make it against their own outlet.

COMMISSIONER SHEDRICK: Now, Mr. Sudder, do you know whether condensed milk companies who have plants -- I will put it this way -- the larger condensed milk companies, say the five largest in the United States, have plants in New York State and also in other states further West; is that true?

THE WITNESS: I would not say particularly New York State, but they have them in Pennsylvania, New York -- they are pretty well nationally distributed now.

COMMISSIONER SHEDRICK: Yes; in other words, all the larger companies are buying milk in three or four big milk centres?

THE WITNESS: Yes.

COMMISSIONER SHEDRICK: Now, are any of them contemplating closing plants in New York State?

THE WITNESS: Why, I could not speak as to that, Mr. Shedrick, because the catastrophe is so recent that nothing has been developed; but I know from general knowledge of the trade that they will reach out in the territory where the milk costs them the least, and retrench where the market cost is great. That is only human nature.

COMMISSIONER SHEDRICK: Well, it has come to me while we have been sitting here that there are three condenseries about to be closed in case prices in New York are materially or as much above the Western prices as now.

MR. MILLER: Mr. Shedrick, would you have any objection

to stating what those plants are?

COMMISSIONER SHEDRICK: Yes, I would, because it is wholly incompetent. One of the large companies, however, and one of the companies has been particularly interested in export business. I did not know if Mr. Scudder might know of his own knowledge.

THE WITNESS: It would only be a matter of rumor, and I have not heard it.

COMMISSIONER SHEDRICK: That would be natural, however, if your company, for instance, was to close any plants because you could not sell your goods, you would close them where your prices were the highest, would you not?

THE WITNESS: Yes, we would close of course as a last resort.

COMMISSIONER SHEDRICK: I understand.

THE WITNESS: But if we did we would naturally close where the cost was the highest; but it would be a matter of very extreme emergency.

COMMISSIONER SHEDRICK: Now, Mr. Scudder, I would like to ask you regarding your profits. In the past have condensed companies made about the same margin of profit in one month of the year that they have in the other months of the year?

THE WITNESS: Oh my, no. They always make the profits in the summer time.

COMMISSIONER SHEDRICK: They always make the profits in the summer time?

THE WITNESS: To carry us over the lean months in the winter.

COMMISSIONER SHEDRICK: And do I understand that the Government are recognizing that principle at the present time?

THE WITNESS: The Government has recognized it in its regulation of the condensed milk industry.

COMMISSIONER SHEDRICK: In other words, they were going to allow you to make your money, as you have made it in the past, during the cheap production months, and run perhaps at bare cost in some of the other months?

THE WITNESS: Or at a low cost.

COMMISSIONER SHEDRICK: Low cost. I guess that is all.

THE WITNESS: I just want to make a general statement, Dr. Jordan, so there will be no misunderstanding. The Food Administration of the United States Government has not put a limitation of any sort upon the export of condensed milk. We are headed here to feed the world, and our Government has not made the first restrictive measure. It is purely a limitation of trade by the nation which owns the boats, and I would like to correct that impression, that the Food Administration has cut the exports of condensed milk. It is not true.

THE CHAIRMAN: Simply a shipping question?

THE WITNESS: Simply a shipping question.

COMMISSIONER BROWN: Mr. Scudder, may I ask you a question? I wanted to ask what the bearing of the sugar situation is on the condensed milk situation.

THE WITNESS: Well, the lack of sugar cut down the supply of sweetened condensed milk, so that there is not that excess on the market at the present time. It is accumulating very fast, because there is plenty of sugar in sight. The Administration granted the ice ocean men last week eighty percent on their initial orders of their yearly needs, and the sugar question is practically solved for 1918.

MR. ALGER: I have got another witness on his way here, Mr. Chairman. He will be here inside of ten minutes.

THE CHAIRMAN: On the cheese?

MR. ALGER: On the cheese situation.

THE CHAIRMAN: I have you the figures you want to present yourself? Do you know how they correspond to these? Look at these, will you, please (handing papers to Mr. Alger).

MR. ALGER: Have you ^{seen} these figures, Mr. Nathan?

(Mr. Nathans refers to papers).

MR. ALGER: I had not seen them before, Mr. Commissioner; but that is pretty impressive, isn't it?

THE CHAIRMAN: That is authoritative.

MR. ALGER: Can I have this go in the record?

THE CHAIRMAN: I think I will put it in.

(Paper referred to received in evidence and marked Exhibit "G", of this date.)

MR. ALGER: I would like to read it to the Judge. I think it would be interesting. This is a report of the cold storage holding of cheese on February 1, 1918.

THE CHAIRMAN: Permit me to say that that was put in my hands by the Dairy Bureau of the Department of Agriculture, and the Food Administration.

MR. ALGER: This is under the United States Department of Agriculture. Reports from 464 cold storages show that their rooms contain 56,592,273 pounds of American cheese, while on January 1, 452 storages reported 69,248,141 pounds. The 404 storages that reported their holdings on February 1st of this year and last show a present stock of 47,744,944 pounds of cheese -- there is a falling off in the number of cold storages, I know -- as compared with 22,112,656 pounds last ~~ix~~ year, an increase 25,632,338 pounds, or 115.9 per cent. The reports show that during January, the January 1st holdings decreased 16.7 per cent, while our last report shows that during December, December 1st holdings decreased 11.1 per cent. Last year the decrease during January was 35.2 per cent, and the decrease during December was 9.3 per cent. A summary of this report was released by wire on February 12th. As a few storages have not responded to our inquiry, this report does not include all holdings.

THE CHAIRMAN: I simply wanted to find out, Mr. Alger, whether your testimony was as definite as --

MR. ALGER: Well --

COMMISSIONER SCHOEN: How does that compare with your theory about supply and demand, Mr. Shedrick?

MR. ALGER: The figures are still more impressive

for the Middle Atlantic district. The New England District showed an increase of 38 per cent. of holdings. The Middle Atlantic division shows an increase of 149.5 per cent of holdings. The increase in February 1st, 1918 over February 1st of 1917 is as follows. February 1, 1918 holdings amounted to 18,938,604 pounds, whereas on February 1, 1917, it was only 17,590,040 pounds.

THE CHAIRMAN: Mr. Alger, so long as you have given that amount, please state how the holdings for the present time correspond with the holdings for the past years, years before last year. It throws a little different light on it.

MR. ALGER: In that year?

THE CHAIRMAN: Yes, sir; further down.

MR. ALGER: Let us see (Mr. Alger refers to papers). I have not studied it enough, Doctor, to get that analysis correct. Will you just give that analysis? (Handing papers to chairman).

THE CHAIRMAN: (Refers to papers).

MR. ALGER: I know that cheese is being sold at a loss if carried in storage for any length of time. The price seems to be going down.

THE CHAIRMAN: It depends upon what month you consider, I find when I come to look at it. If you take the holdings on December 1, 1917, there were 77,398,000 pounds; on January 1, 1918, 68,791,000 pounds. May vary a good deal according to the point at which the holdings are compared.

MR. ALGER: Yes.

MR. NATHANS: Well, there is some consumption during that time.

THE CHAIRMAN: On December 1, 1916, 33,757,000 pounds; on January 1st, 1917, 30,633,000 pounds. It depends on the point at which you make your comparison.

MR. ALGER: Yes.

THE CHAIRMAN: That is the only point I have.

MR. ALGER: The proper basis of comparison would be at some time to compare the amount placed in storage.

THE CHAIRMAN: Well, that depends upon the movement of trade. The movement of trade may differ some in different years. At the same time, the figures are significant.

COMMISSIONER SHEDRICK: Mr. Chairman, while we are waiting for this witness, would it be proper to consider this matter of recoup? I understand Mr. Alger for the dealers at one time stated they would forgo the recoup if the farmers would. I do not know whether we ever got any statement from the farmers as to whether they were willing to join the dealers in relieving us of that troublesome matter or not.

MR. MILLER: I think that our position has been stated two or three times, as clearly as we could state it, Mr. Shedrick, — once this morning.

COMMISSIONER SHEDRICK: I came in late this morning.

Perhaps that is why I did not hear it.

MR. ALGER: I was late myself this morning and did not hear what the judge said. I would be very glad to hear what his views are, if he cares to repeat them.

MR. MILLER: Why, that the farmers are disappointed in that to this date they have had no recoupment for the December loss, and hope to receive it, the recoupment, necessarily.

COMMISSIONER SHEDRICK: In that regard, Judge Miller, do you consider that this commission can require the condensed industry, for instance, to recoup their farmers? They are not any party to this agreement.

MR. MILLER: Well, I would of course refer that the commission would construe their mandate in that respect themselves. My own thought, however, is that this agreement is binding only upon the parties who made it.

COMMISSIONER SHEDRICK: Well, that was a matter that just occurred to me. I expected to ask Mr. Studder as to whether there was any way that they could recoup. You can't expect a manufacturer to recoup another manufacturer, which a farmer really is, he is a manufacturer of milk, without he has some way of getting it back. I wanted to see whether the condenseries had a way of recouping their losses, if they would pay the farmer that loss. I am sorry I forgot to ask it.

I have understood, though, privately, that there was not any; but I would like to get it in evidence. It is

a very vexing question; it is the most vexing question as far as I am concerned that has been submitted to the commission.

MR. ALGER: I am frank to state that it has been a vexing question from the standpoint of the distributors; and there is only one thing that I have got to say about it, and that is that we shall not consider that the commission is to follow its warrant of authority, but shall consider the commission in going outside of its warrant of authority, if we as distributors are required to pay to the farmers any recoupment, unless that recoupment is a part of the recouped -- at the same time gathered in for ourselves for the losses which we have sustained, which this record shows. In other words, it can't be a theoretical recoupment for the distributors and a practical recoupment for the farmer. That is not the mandate of our authority; it is not our agreement.

COMMISSIONER FULLER: That will take care of that, won't it?

MR. ALGER: Well, it has got to take care of it in a very practical manner, so far as we are concerned. We are entitled to a recoupment, and we are going to insist upon it. If the farmers feel that they must, we feel we are equally entitled to it. The warrant covers both, and the warrant would not authorize, and does now authorize the commission to fix a recoupment for one party only, but for us both.

THE CHAIRMAN: You would expect that recoupment to be

based upon the figures which you have already given us as to losses?

MR. ALGER: Yes, sir.

THE CHAIRMAN: During December?

MR. ALGER: November.

THE CHAIRMAN: During November?

MR. ALGER: Yes, sir.

COMMISSIONER SHEDRICK: Mr. Alger, would your industry be satisfied to pay the farmer any recoupment which the commission makes, without first having collected that recoupment from its customers?

MR. ALGER: Certainly not. Where would we get it?

COMMISSIONER SHEDRICK: Just explain that to the commissioner.

MR. ALGER: I do not see how it is at all possible for us. We are not supposed to bear that burden. The consumer is supposed to bear that burden for us both. The distributing industry certainly cannot continue to do business perpetually at a loss. We are entitled to cost plus a reasonable profit. We have not have it. The farmer has not had it either, but it is not going to help the situation at all if this industry, which has already been conducted at a loss through these important months, and heavy losses at that, has an additional loss saddled upon it at a time when it is also entitled to recoupment for previous losses. That is plain common sense.

THE CHAIRMAN: Have you made up your mind to produce any figures to show the relation between the loss to the farmers and the loss for December, and the loss to the distributors for November?

MR. ALGER: I have not figured up the table of cases on those losses. It can't be done. I think our losses in the month of November -- we have made no profit, but conducted at an actual loss of not less than half a cent. We are entitled, I think, to a half cent profit. That is a full cent we should receive in the way of recoupment.

THE CHAIRMAN: Do I understand you make the point that the producer should bear this recoupment assessment, rather than the consumer?

MR. ALGER: I do not make any such proposition at all. All that I am -- we do not expect to have the -- if there is going to be a recoupment, the recoupment, I take it, is something which must come from the consumer; that is the theory on which we are proceeding, I take it; not that we are going to recoup from the farmer or that the farmer is going to recoup from us.

THE CHAIRMAN: I think you misspoke yourself a few minutes ago. I think you used the word, "producer" when you meant "consumer".

MR. ALGER: Possibly I did. It has got to be an actual consumer who pays it, but not a theoretical consumer.

COMMISSIONER SHEDRICK: Do I understand you say that the recoupment, when paid to the farmer, must first be collected from the consumer?

MR. ALGER: Yes, sir; both recoupments, ours and his.

COMMISSIONER SHEDRICK: Both recoupments?

MR. ALGER: Certainly.

COMMISSIONER SHEDRICK: You do not feel your industry can finance the farmers and then recoup them from the consumer?

MR. ALGER: Why, certainly not. I do not see, how by any possible construction, the warrant of authority could conform to any such idea. We are entitled to recoupment for our losses, and that comes from the consumer; and the farmer is entitled to recoupment on another month for his losses, and that likewise comes from the consumer. There is nothing in the mandate of authority which puts the burden upon us of guaranteeing the farmer he will get his recoupment; and then taking our chances of trying to get a recoupment from somebody else. They are both in the same boat.

COMMISSIONER SHEDRICK: Well, I heartily wish that both parties would get their recoupments; but if they want, I suppose the commission has got to sit down here a few weeks and discover a way to do it equitably.

COMMISSIONER BROWN: I should like to endorse Mr. Shedrick's remarks.

COMMISSIONER SHEDRICK: I studied this question a good deal. I think I could state a few ways which might be worked out economically or fairly for the men who are still doing business in New York and are under the mandate of authority as sellers of milk in New York; but I am frank to say I do not see how we can bind the other fellows unless they want to be bound.

MR. ALGER: The condensers, you mean?

COMMISSIONER SHEDRICK: Yes, or the cheesemen, for instance. This man that is going to testify here in a few minutes, I do not see how you can bind that fellow if he don't want to be bound. Competition might bind him. The Dairymen's League might force him. But I do not believe the commission could. I do not see how they could. And it is more troublesome from the fact that in order to be done justly to the farmer it must be done on the actual milk received and the actual farmer who made it during the month of December, only.

MR. MILLER: And in connection with that, Mr. Shedrick, wouldn't you also suggest that the longer that that recoupment is postponed, the more the personnel of the farmers would be changing.

COMMISSIONER SHEDRICK: And the dealers, too.

MR. MILLER: Possibly so.

MR. ALGER: The dealers have changed a good deal,

too, ten per cent. have gone out of business in the last few months. I do not know who is going to give the Mutual-McDermott Company's customers their recoupment.

COMMISSIONER SHEDRICK: There is so much that if you gentlemen could get together we believe this commission are trying to do all they can for both parties on this perplexing question -- you ought to do it.

MR. MILLER: Well, in reply to that, Mr. Shedrick, you will recall that at the conference in Washington, when the agreement was made for the appointment of this commission, that the fact that both the farmers and the distributors were to be recouped for their losses respectively in November and December, was an important factor; it was a controlling factor, perhaps, that caused the farmer to enter into the agreement. They welcomed the opportunity to show to a commission like this the costs of producing milk and the difficulties under which the dairy farmers were laboring, representing, however, 5, 50,000 men, we thought then, and still think, that we assumed a terrific responsibility. Speaking for myself, being the only one here present of the three that represented the Dairymen's League at that conference, I would say that I believe that our people would always consider it as a breach of faith on our part should we waive that condition, which when we informed our people of the agreement that we had made and asked them to ratify it and stand

by it in order that this milk question, which, as Mr. Hoover said, is always loaded with dynamite, might be adjusted, at least temporarily -- when we went and requested that, we stated plainly and clearly that for any losses the commission found that they had suffered in December, they should be recouped.

It would be very difficult for us -- I believe you gentlemen appreciate how difficult it would be for us to go back to our people now and say, "We want you to waive that."

COMMISSIONER SHEDRICK: Well, I can appreciate that, Mr. Miller. The only thing that I feel sorry about, having been a party to the conference in Washington, is that I was not wise enough to see some of the difficulties that might obtain from that sort of an agreement, and fight it while there was time. If I had any idea that I would have to do anything to aid in settling it, I certainly would have sidestepped it.

MR. MILLER: You thought you were putting it on some body else, then?

COMMISSIONER SCHOEN: Mr. Chairman, in that connection Mr. Alger said that they expected a cent recoupment. Is that in line with the price you would have charged the consumer in November if there had not been some special understanding between yourself and the Dairymen's League?

MR. ALGER: We had no special price in mind. We had a known loss in the month of November. We carried that loss for the sake of industrial peace in this town; and one of

our companies went broke on it.

COMMISSIONER SCHOEN: Yes, but you made that loss after you determined not to increase the price; not before you determined. In other words, you allowed the October price to prevail in November.

MR. ALGER: Yes, instead of raising the price to the consumer.

COMMISSIONER SCHOEN: Instead of raising it; and you must have known in your mind in October the price you would have raised it to had you been permitted to or decided it was wise to.

MR. ALGER: What the various distributors had in their own mind as to what the price ought to be, I do not know, because our association has rigorously refrained from ever discussing questions of price. The Donnelly Act is still a law of this State. We do not discuss agreement on prices. The only time anything of that sort comes up is in connection with this commission.

THE CHAIRMAN: I have the opinion that had the two parties in interest fought this thing through to the end, and if the Federal Food Administration had fought it through to the end, they would have made a different arrangement than they did. I do not think you would have done it. But this is apart from the question of whether you should abate it now.

MR. NATHANS: If I recall, Mr. Chairman, before the

November price took effect, in several conferences with the Food Administration and Mr. Williams, the question of a deferment of any action, and the maintenance of the status quo was under consideration; and if I correctly recall it, I believe the suggestion for a recoupment came from the Food Administration people themselves, and was accepted at that time as being logical and legitimate. But as Mr. Shedrick says, the contingencies were not foreseen.

MR. MILLER: My recollection agrees with Mr. Nathans' in that respect, that that suggestion first came from the Food Administration.

MR. NATHANS: But the difficulties were not foreseen.

COMMISSIONER SCHEDRICK: Well, is it an absolute fact then that there can be no hope of the two parties getting that matter, sort of pacifying their interests, and not asking the commission to take it up?

COMMISSIONER FULLER: At least there is one member of this commission that won't consent to it.

COMMISSIONER SCHOEN: And he represents the consumers.

COMMISSIONER FULLER: I believe it is the duty of this commission to find what those recoupments are, both to the distributor and the producer; and I do not believe this commission has any right, or the Government has any right to put that burden upon us unless we discharge it. Now, the farmer came into court and he reduced his price twenty-four cents a hundred on his milk in one of the most expensive months in the

year, as a matter of patriotism, to have this matter settled; and I personally shall insist that we fix a recoupment, and fix it as our warrant of authority suggests.

COMMISSIONER SHEDRICK: Can Commissioner Fuller state to the commission just how we can guarantee that everybody is going to be recouped in accordance with that?

COMMISSIONER FULLER: We have that burden,, and we have to work it out. I do not think it is fair to the farmer to ask it. If we do not give the farmer the recoupment now, it will be a matter of discussion among 50,000 farmers, "Where is our recoupment? We consented to drop our price, on the agreement that we were to be recouped for those losses." I do not think any commission can afford to stand in the way of living squarely up to its word.

MR. ALGER: I suppose you include the distributor in the same way. You did not mention it.

COMMISSIONER FULLER: In the same way. I did not mention it. Squarely up to what our warrant of authority directs us to do.

COMMISSIONER SHEDRICK: Mr. Fuller, of course it would not be fair to do that without the consent of both parties. I have not asked that. Unless the parties at interest here would voluntarily relieve us of that, I do not think any member of the commission would dodge their duty in the least; but it is a very vexing question and one in which you can very readily

see justice will not be done in all cases; it can't be done. Some dealers have passed to the great beyond and can't recoup anything.

COMMISSIONER BROWN: I feel a good deal like Mr. Fuller on this question, but I do think that if the two parties in interest could agree to pass over the recoupment it would be very much to be desired. However, I personally should not feel like doing that, unless the matter were referred to the various locals of the Dairymen's League to get a direct expression from the farmers themselves in the field.

MR. ALGER: I should not do it in behalf of the distributors, without the consent of the delivering distributors.

COMMISSIONER BROWN: What is that?

MR. ALGER: I should not do it in behalf of the distributors, without the consent of every distributor, who faced bankruptcy when he consented to that proposition.

COMMISSIONER FULLER: That was an agreement, not only between the two parties, but between the Government as a third party. I say, we can't afford to do it; we must live up to our agreement.

COMMISSIONER SCHOEN: Mr. Chairman, we might take up that question as to the understanding as to the extension of our authority.

THE CHAIRMAN: I have spoken to both parties in regard to that.

COMMISSIONER SCHOEN: With regards to that recouping question, Mr. Chairman, wouldn't it be possible for both the

producers and the distributors to get together and fix for themselves what they would consider a satisfactory minimum recoupment, and submit that to us, so that the spirit of the mandate would be carried out? You can't possibly, as Mr. Shedrick says, do justice all around in this matter; but you can do it comparatively. Now, the suggestion may just as well come from you as to come from anybody else, since you can't get absolute facts in the matter.

F R A N K J. B A U M E R T, called as a witness in behalf of the producers, being first duly sworn, was examined and testified as follows:

QUESTIONS BY MR. ALGER:

Q Mr. Baumert, what is your occupation? A Cheese merchant and cheese manufacturer.

Q And how long have you been in that interesting business? A Why, I myself probably over twenty-five years. Preceding that my father; I am succeeding my father's establishment.

Q And what is the company that you represent? A F. X. Company.

Q And you do business in the New York district and also in other parts of the United States? A Yes, sir, we manufacture cheese in Jefferson County. We manufacture at two plants — we manufacture fancy kinds of cheese, and then we

operate ten other factories, manufacturing on the co-operative basis for the farmers, the cheddar cheese.

THE CHAIRMAN: In this State?

THE WITNESS: Yes, sir.

Q And in other States, have you got plants, too?

A No, we have not. All our plants are located in Jefferson County, N.Y.

Q But you are generally familiar with the cheese market and with conditions which now affect the cheese business in New York? A Fairly well, yes.

Q Now, I have just had Mr. Scudder of the Mohawk Condensed Milk Company tell us something about the condensed milk situation. I wish you would tell the commission, taking the present, as of the present time -- something about the conditions in the cheese market as you find it; first, as to supply? A Well, of course, that refers to cheddar cheese?

Q Yes. A Well, of course on the 1st of January, according to the Government reports, there were holdings of some eighty odd per cent. more than the same period last year. On February 1st, my recollection was about 65 or 70 per cent. There is no question but what there is today, and to my mind it is a good estimate -- that there is certainly at least 50 to 55 per cent. more in the market today than a year ago; and in order to dispose of our surplus --

Q (Interrupting) You are talking now about the New

York market? A Yes, sir.

Q Yes? A Well, I am talking about the — of course, yes, about the cheese market on cheddar cheese in general, as we understand it. That would cover especially Wisconsin and New York State cheese.

Q Had you seen this, which shows 115 per cent. increase (handing witness Exhibit "G")? A 115 per cent. increase in holdings? Yes, I saw something like that; but my recollection on the 1st of January was it was some eighty odd per cent; and I had in my head at all times about seventy odd per cent. about the 1st of February; about 70 per cent.

Q That is American cheese? A Well, I do not know whether this covers the whole country or not.

MR. NATHANS: That covers the whole country.

MR. ALGER: The witness is looking at the exhibit given in evidence.

THE WITNESS: Yes, I have seen that.

Q You say there is about what percentage of surplus cheese in the market now?

A Well, of course I am only guessing, but certainly it is more than 50 per cent; and if we do not have an export outlet, why, we will have an abnormal supply for the rest of the season. Now, for the past two years the export movement was very large as compared with former years, and we have in fact been

depending upon export when putting our cheese in storage. There is a movement on foot now to dispose of a large part of our surplus.

Q In what way? A That we --

Q (Interrupting) Locally? A No; that the Federal Government Food Administration has undertaken to make an arrangement with the British Government to take over from ten to fifteen pounds of cheddar cheese, and all holders have been asked to subscribe to give the British Government at their price of 24 cents seaboard; and here in New York the large cheese dealers were all called together, and we have raised a subscription of 1,500,000.

THE CHAIRMAN: What proportion of the New York holdings, if I may ask questions as you go along, is that 1,500,000 pounds?

MR. ALGER: 15,000,000.

THE WITNESS: No, 1,500,000 pounds just here in New York City.

THE CHAIRMAN: I understand.

THE WITNESS: Of course, we have our holdings scattered all over.

THE CHAIRMAN: Yes.

THE WITNESS: And so I would not know, of course, what holdings my competitors had; but I even do not know what the holdings are in New York City. As I say, all the dealers, they have holdings in Wisconsin and up the State at various

places in the Western part of the State and also in New York City.

THE CHAIRMAN: But, Mr. Baumert, do you know whether there is a general response on the part of the holders of cheese in response to the Government request?

THE WITNESS: Well, there is; in New York City we all feel inclined to do whatever the Government recognize, regardless of what the loss is. We undertook to subscribe what we thought would be about ten per cent, at least some of us said that that would be fair.

Q You say you are going to give that cheese a price of 34 cents? A Yes.

Q About what price was that cheese put away at? A Well --

Q (Interrupting) That is less than it was put away at, isn't it? A Well, I do not know. I, and I think the others, did not figure what the cheese cost on an average just now.

Q You are just thinking what you can get rid of it for? A Why, of course, what we can dispose of it at now; and what it would be in the future would be worth telling. So, if this abnormal supply would last all through the summer, why then the new cheese in price would suffer.

Q Have you got an abnormal supply of cheese on hand now? Haven't you? A Yes.

Q And far in excess of previous years? A We have.

Q You have had, since the war started, a stimulation of the cheese-making business, which has been going on up to this time; you have had these export orders and had a demand for cheese? A Yes.

Q Now, you have had a closing down of the export trade. haven't you, on cheese. Hasn't that struck you as it has in the condensed milk? A Well, that is correct, that we have missed the export movement. There was no export movement of whole milk cheese all winter, and all fall, and last year, it started in last fall and lasted up to about the fore part of May; and the previous year it was about the same period.

Q So that, having this abnormally large surplus of cheese, you are now facing a time when you would ordinarily begin a cheese market -- begin to make cheese, wouldn't you? A No.

Q Not yet, but soon? A Well, beginning about the first of April the factories usually begin open making cheese, so when there is an incentive factories will open up earlier, in March.

Q You find that factories are opening up yet or holding back? A No, they are delivering milk to the milk stations, as we call it, up in our neighborhood, wherever they can.

Q As far as they can, they are letting the milk distributor take that milk? A Yes.

Q They do not want it in cheese-making? A No.

Q And that condition you think is quite likely to continue, don't you? A Yes.

Q As long as the milk distributors are going to take the milk, you are going to give it to them as long as these conditions continue? A That is the patrons, they have more faith in the market value of milk now than they have in cheese values.

Q Though you have been paying the same price, the Dairymen's League price, for milk? A Well, in making fancy cheese we always have paid the top market prices.

Q But you make an especially good line of cheese, don't you, expensive cheese, and get high prices for them? A Yes, but I am only talking now of the cheddar cheese; and as I say, we operate 10 or 11 co-operative cheese factories, that is making cheese by the hundred for the dairymen; and they appoint their salesmen and secretary, and last year we charged them \$1.50 per hundred for making, and this year we will have to charge \$2.50 per hundred for making, owing to the advanced cost on all supplies.

COMMISSIONER SCHOFN: What did you charge them during the month of December?

THE WITNESS: Well, we do not operate these co-operative factories, only beginning April 1st; and then they begin closing from September 1st, — on September 1st to October 1st and October 15th.

COMMISSIONER SCHOEN: What did you charge them last September?

THE WITNESS: \$1.50 per 100 pounds. Now, in Western New York they got \$2.00 per hundred. I know that we lost money at that price, \$1.50 per 100; and this year we had one -- so far, only one factory meeting, and they agreed to the price of \$2.50.

Q Now, that is for what, - for manufacturing?

A For manufacturing the cheese on the co-operative basis.

Q What do you furnish? A Why, we furnish everything; we make the cheese for the patrons for this coming season for \$2.50, and we furnish the --

Q What is the \$2.50 for? What is the basis? A Per 100 pounds of cheese.

Q Per hundred pounds of cheese? A They deliver the milk and we charge them -- well practically 2-1/2 cents per pound for the cheese.

Q For making? A For making and furnishing --

THE CHAIRMAN: (Interrupting) Who gets the offals?

THE WITNESS: How is that?

THE CHAIRMAN: Who gets the whey?

THE WITNESS: Well, the patrons get the whey.

COMMISSIONER SHEDRICK: They get the whey butter?

THE WITNESS: Where we manufacture whey butter, we get the whey butter; and last year in our plant we manufactured cheese then for 5 cents a hundred less. Now, probably this year we shall manufacture for 10 or 15 cents per hundred less on the cheese and take half the whey butter.

THE CHAIRMAN: You are going to open all your factories?

THE WITNESS: We have to, yes. That is a matter of business policies, but the trouble is that the co-operative factories that we operate are adjacent and subsidiary in a way to our main two plants where we make fancy cheese; that is, Evans Mills, New York, and Antwerp, New York; and their patrons, they deliver us milk in the winter, most of them, and on April 1st, why, on account of the long haul they draw ^{to} their own home factories. Well, for that matter the cheese prices in the past, so far have paid as well and better in May and June than the milk market prices. But, of course, this year though a great many patrons tell us that they are going to draw their mills to Evans Mills and Antwerp respectively, and are going to run their chances on market milk prices.

THE CHAIRMAN: Then the state of the market this summer, in view of the surplus, will react on the farmer, so far as cheddar cheese is concerned, and not on you. You get so much for making it?

THE WITNESS: Yes, oh, of course.

THE CHAIRMAN: You are out of the question of loss?

THE WITNESS: Well, we get so much for making, but if we do not get our normal supply at these factories, why, the normal of business that we lose will increase our overhead charge at these respective factories; and of course, the cheese maker will also say -- in fact, they have told me, one of them, where

we had this meeting, which is is in size above our average factory, said, "Well, now, here they are all talking, a good many of them are talking of going to Antwerp. Now, if they do, I do not want to be held to my cheese here all summer. You will have to make either different arrangements with me, or I will go on a farm."

COMMISSIONER SCHOEN: How do you account for that huge surplusage, Mr. Baumert, that you have got now on cheese?

THE WITNESS: Well, because there was none exported this season.

COMMISSIONER SCHOEN: Why not?

THE WITNESS: Well, the British Government -- well, we had no demand for it; there was no call for it.

THE CHAIRMAN: Did the Canadian prices have anything to do with it?

THE WITNESS: Yes, no doubt. If we would have sold it reasonably enough, according to their views, why, the Canadian price, they had a fixed price of 21-3/4 cents delivered.

Q 21-3/4 cents on what? Let us get that? A Well, that is for No. 1 grade cheese delivered to the dockst.

Q What was your price in America? A Well, our prices varied according to market values; that is, country bought prices.

Q But the Canadian price for milk itself was also lower, wasn't it, than the price you paid? A Well, I do not know anything about their market milk prices in Canada.

COMMISSIONER SCHOEN: Well, what price did you offer them that cheese to the British Government at?

THE WITNESS: Well, we had no inquiries for the reason that — owing to the British Government — well, formerly there were local exporters, that is Montreal exporters, that came into the market; but they said that they had no orders for cheese and could not ship because they had no permit. And of course they knew our values, and knew they could not shop any cheese except on Canadian values.

COMMISSIONER SCHOEN: And you would not sell for Canadian values?

THE WITNESS: Well, I know of, in one instance, where we sold a Montreal exporter some skim cheese and he told me that Zingerle — he says, "No matter how low the price of whole milk cheese was, even if it was lower than skimmed," he could not ship; he could not get a permit. I do not know why.

MR. NATHANS: The British Government, as I understand it, wanted Canadian cheese for purposes of their own. They wanted to buy their own cheese, and they are not buying in this market, and have not bought in this market for that reason, except when requested by our Government to do so.

THE WITNESS: No; I remember that there were some Canadian commissioners up on 'Change in New York, and when they mentioned that they thought that their supply from New Zealand and Canada would tide them over until the next production, and that they did not expect to be in the market in

this country.

COMMISSIONER SCHOEN: Will that same condition prevail this coming summer?

THE WITNESS: Well, the same condition of -- I think there will be a change this coming summer in this respect, that nobody will buy any cheese, expecting that we will have an outlet the following fall for export the same as it was the last spring and summer. Now, as a matter of fact, the Canadian exporters paid for April-May cheese as high as 26 cents, and then all at once dropped out of the market. They were the cause of our high priced cheese last spring. We did not make that market; it was they that made the market.

COMMISSIONER SCHOEN: So you were not getting, when you were getting 26 cents last spring -- you were getting much in excess of what you were willing to sell it for?

THE WITNESS: Well, no; they offered to pay 26 cents f. o. b. country points.

COMMISSIONER SCHOEN: Yes; and that was more than what you would have been glad to sell the cheese for?

THE WITNESS: Well, that would have been more than the markets warranted at that time in this country. Of course, last year, we were a little short of old cheese, so when the new cheese began to be produced and offered on the market, and exporters came in and made bids for the cheese.

COMMISSIONER SCHOEN: You do not know what that cheese cost you that you have got now on storage, do you?

THE WITNESS: Well, no; I would not know. It varies so much. We have got cheese -- of course, the overhead charges, you know you must take -- must be taken into account. I should judge that that would be about two cents a pound, when you figure not only interest and insurance and storage charges, but also shrinkages.

COMMISSIONER SCHOEN: But at 24 cents, you would be losing money?

THE WITNESS: Yes; that is on the average cost price of the cheese.

Q And that is the prevailing price now for that cheese, is it? A Well, it is not the prevailing price now.

Q It is what is offered for it? A Well, that is the limited price that the British Government is paying, and that we are going to take.

COMMISSIONER SCHOEN: 28 cents?

THE WITNESS: 24 cents.

COMMISSIONER SCHOEN: 24 cents?

THE WITNESS: That is delivered here in New York, delivered at the docks, at the piers.

Q And that price does not stimulate very much the production of cheese, does it? A No.

COMMISSIONER SHEDRICK: You can't get that for new cheese, can you, Mr. Baumert?

THE WITNESS: No, you could not get that.

COMMISSIONER SHEDRICK: What can you get for cheese made

now?

THE WITNESS: Well, now, I could not talk from experience, but assuming you could get 26 cents from a small distributor, why you certainly could not pay more than 24 cents to 24-1/2 cents in the country for it.

Commissioner Shedrick: What will the new cheese bring you now?

THE WITNESS: Well, I think if we get -- when these cheese are shipped and disposed of, provided they are out of the country and records will show that we are getting down to a normal supply and demand, I doubt whether the cheese will be higher than 24 cents in the country. I mean the first new cheese, the April cheese.

COMMISSIONER SHEDRICK: You think you might get that much for April cheese?

THE WITNESS: Why, as I say, if we get down to normal supply and demand, I think that probably you could get that price. Of course, that is a guess.

The Chairman:: Mr. Baumert, hasn't the Government set a limit on the holdings of this cheese?

THE WITNESS: No, the Government has announced that all holders must have their cheese disposed of by June 15th; that is the new producing season.

THE CHAIRMAN: That is what I had in mind.

Q All this big surplus they have on hand, they have to

go on the market and be disposed of somewhere before June 15th?

A Yes, sir.

THE CHAIRMAN: I understood that. Now, can that cheese be assimilated by the market in any formal way, or is that going to be forced on the market in an artificial way?

THE WITNESS: No, every dealer -- we have some old cheese that we hold over for trade, for your regular customers that want old cheese, up until about August 1st, most of them.

THE CHAIRMAN: Can you get permission to do that?

THE WITNESS: Well, if you can show good cause; that is, for certain kinds of cheese. Now, there is trade that will not take any new cheese until the June cheese has been fairly well matured, and that would be about August 1st.

Q How many pounds of milk goes into a pound of cheese?

A Well, I should say at a rough guess now, for instance, 3.6 milk would make about 10 pounds of cheese to a hundred pounds of milk.

Q A hundred pounds of milk would make how much?

A A hundred pounds of milk would make 10 pounds of cheese, testing about 3.6 per cent.

THE CHAIRMAN: Just about, yes.

THE WITNESS: Of course, it depends on what kind of cheese you make, whether you make large cheese or twins or small flats or daisies.

COMMISSIONER FULLER: It depends on the time of the year too, doesn't it?

THE WITNESS: Yes.

THE CHAIRMAN: Do you make any wash cords?

THE WITNESS: Yes, sir.

THE CHAIRMAN: It will make a little more, won't it, of wash cords?

THE WITNESS: Yes; it depends upon how much water you incorporate into it.

COMMISSIONER FULLER: You should not give away secrets.

THE CHAIRMAN: Well, we might as well get the whole story.

THE WITNESS: In Jefferson County we make both kinds.

THE CHAIRMAN: Do you put parrafin on the cheese?

THE WITNESS: Yes. Well, that is very important now-a-days, owing to its high values, because you can't afford to lose in shrinkage; you want to save all the shrinkage you can.

THE CHAIRMAN: In our experiment station at Geneva, it came out in regard to the saving on the parrafined cheese. We were accused by the press of teaching the cheese-maker how to water his cheese.

THE WITNESS: How to water his cheese?

THE CHAIRMAN: Yes, by holding it. Ordinarily, you know, before parrafining the water dried out.

THE WITNESS: Yes. Well, now-a-days, I do not know of any cheese that are marketed unless they are parrafined, because the trade have got accustomed to a night clean cheese,

~~and they want it attractive looking; and as a matter of fact~~
~~about the trade they require a milder cheese now-a-days~~
than formerly.

THE CHAIRMAN: What do you mean?

THE WITNESS: Of course, there are exceptions to
the rule, but the test is — the demand is;
and parafining the cheese keeps the cheese mild.

THE CHAIRMAN: Of course, this is aside from the
question.

THE WITNESS: It checks the curing, yes.

THE CHAIRMAN: Well, have you any thought, Mr.
Baumert, that this surplus cheese can be handled in any way
that is not disastrous before the 15th of June? What is your
feeling about it?

THE WITNESS: Well, I think that when this 24-cent
cheese is disposed of, I think that we will get down to
somewhere near a normal supply. I think so. The holders of
cheese are confident; they think that the cheese will be
exported, that we will come out all right. But I doubt
whether there will be any speculative buying this coming
spring.

COMMISSIONER SHEDRICK: Will there be any in May
and June, to take care of that surplus?

THE WITNESS: No, no, no. I do not think all the
cheese could be disposed of by June 15th. I doubt that as I have
explained, that there must be —

COMMISSIONER SHEDRICK: Then why isn't it cheese in May and June that they have always supported the market for storage? It won't be there this year, will it?

THE WITNESS: Well, unless it is some of the large --- of course, it is only some of the large retailers that have private boxes that can keep this cheese in there. If there is a large supply on hand on June 1st, I am afraid there will be a big break in the market, unless we can get permission from the Food Administration to extend the time limit.

COMMISSIONER SHEDRICK: Do you favor the Food Administration fixing prices the way they did in Canada?

THE WITNESS: No, I would not. I think that supply and demand ought to regular the prices.

COMMISSIONER SCHOEN: Does it, Mr. Baumert?

THE WITNESS: Well, in the long run it always does.

COMMISSIONER SCHOEN: But it did not this year.

THE WITNESS: No. Well, that is true.

THE CHAIRMAN: That is under war conditions.

THE WITNESS: But it is the farmers that got it. They got their money for their cheese. It is only the holders that have suffered.

THE CHAIRMAN: Any questions from the commission?

(No response).

THE CHAIRMAN: Mr. Miller, do you wish to ask any questions?

MR. MILLER: None, Doctor.

THE CHAIRMAN: I think that is all, if you are through with the witness, Mr. Alger?

MR. ALGER: Yes.

THE CHAIRMAN: That is all you have to present?

MR. ALGER: That is all I care to present.

THE CHAIRMAN: The public hearing is adjourned. We will have an executive session for just a few minutes.

(The Commission then, at five o'clock p. m., adjourned the public hearing and went into executive session.)

Special Meeting of the FEDERAL MILK COMMISSION FOR
THE MIDDLE STATES, held at the office of the Federal Food Board
at 220 West 57th Street, New York City on Saturday, March 2, 1935
at two o'clock P. M.

There were present:

W. H. JORDAN, Chairman,
BRADLEY FULLER,
JOHN MITCHELL,
LUCIUS P. BROWN,
MABEL HYDE KITTREDGE,
MORTIMER L. SCHIFF,
S. C. SCHEDRICK,
ARTHUR WILLIAMS,
JOHN D. MILLER, Representing producers,
GEORGE W. ALGER, Representing distributors.

Representatives of the Dairymens League
and Representatives of the New York Milk
Conference also present.

The Chairman called the meeting to order.

CHAIRMAN JORDAN: I think we may properly open this
hearing by asking you to listen to a letter which was addressed
to me by the New York Milk Conference Board:

"Referring to telephone conversation on the 25th and
26th instants, in which we requested you to convene the
Federal Milk Commission at the earliest opportunity, if
possible prior to the 28th instant, I also stated to you
this was deemed to be advisable as the result of a meeting
of our Board of Directors held on Monday, at which the
decision of the Commission with respect to prices for the
month of March was considered. Our Board is faced with a
crisis and would greatly appreciate the assistance of the
Commission in its solution.

You will recall that during the hearing Mr. Soudder testified on behalf of the condensed milk interests and presented a condition of extreme gravity. At that time, however, the situation had not reached a stage quite so acute as at present. For some time the condensed people have found it possible to pay the same price for their raw supply as market milk distributors, and accordingly have notices posted at their plants agreeing to pay for the months of January, February and March the prices fixed by the Federal Milk Commission for the Middle States, but at our meeting on Monday they served notice that, due to transportation and other conditions beyond their control, and also because of a manufacturing disadvantage resulting from the fixing and approval of the United States Food Administration of lower prices for milk in competitive territory (meaning in the Chicago district) than have been so fixed and approved in the territory covered by the Federal Milk Commission for the Middle States, they cannot, after April 1st, 1918, hold themselves liable for the payment of the Commission price and wish to be relieved of the possible necessity for doing so and have asked me to convey this information to the Commission. In so doing they are not in any way prejudging the action of the Commission but cannot longer be bound to observe the profit to such distributors, when the condensers must sell on values determined by competition under a lower cost of production. They advise they will observe the recommendations of the Federal Milk Commission when at all

possible, but when the prices fixed preclude so doing, they must reserve for themselves such freedom of action as will tend to the preservation of the industry.

The grant of authority quite clearly applies only to milk produced and consumed in the city of New York or other cities in New York State to which the Commission's decision may become applicable, but there is in the first paragraph a clause to the effect the agreement with the Food Administration was entered into by "representatives of manufacturers of milk products". We assume this was inserted because the New York Milk Conference Board, Inc., did, on the occasion of the conference in Washington, represent manufacturers of milk products in this territory. In view of all the above the condensers now request me on their behalf to give the formal notices of thirty days, required by the terms of the agreement with the Government indicating their desire to be relieved from participation therein.

At the same meeting the distributors of market milk were informed that the ability of the condensers to absorb surplus supplies of milk was materially affected by the new conditions and that such absorptions would be generally discontinued. I am advised they have already been much curtailed. You can readily see this creates an alarming situation and it becomes imperative some change be arranged in the conditions under which the

Commission fixes prices for market milk. Our Board has very carefully considered the suggestions to this end submitted by the Commission on Sunday last and will be prepared on the reconvening of the Commission, which we understand will be Saturday, to submit suggestions for a revision of the grant of authority. In view of the fact you were unable to arrange for a meeting of the Commission earlier than March 2nd, may I inquire what would be the status of the entire industry with respect to the thirty day withdrawal clause should it be found impossible to reach a satisfactory understanding as to the future price fixing powers of the Commission? It was for this reason we urged a meeting on or before today but which you could not arrange.

I am also requested to have the Commission state definitely whether manufacturers of milk by-products are liable for the payment of the recoup, in view of the fact the amount of recoup to be paid to the producers, as well as any loss sustained by the manufacturers in November, is not collectable from their trade.

Regretting it should be found necessary to add further to your burdens, but with every assurance that the service rendered by the members of the Commission justifies this further call, I beg to remain

Very truly yours,
(SGF) I. ELKIN NATHANS."

THE CHAIRMAN: As the initiative in this matter if taken by the New York Milk Conference Board, we will hear from the distributors at this time.

MR. ALGER: I do not think anything need to be added to what you already know about the market conditions. We put Mr. Soudder on the stand at the last session in order to make a part of your permanent record the condition created by the war emergencies on the condensed milk business. You have got in this district an enormous surplus of milk, which these condenseries are not prepared to handle at the price of liquid milk. If that immense amount of milk, running up into the hundreds of thousands,-- as far as a million quarts, is not handled by the condenseries as heretofore, we are going to have a flood of milk down here in New York. It very seriously jeopardizes the whole basis of the price fixing arrangement which has been going on; and that, coupled with the Chicago situation which the letter referred to, has created this extreme economic crisis within this very short period of time.

Now, we are endeavoring, as to the distributors, to consider this matter in a broad way, not as a temporary condition, but as to the permanent benefits of the distributor, and, less than the distributor, the dairy industry in New York, with whose prosperity we, as distributors, are vitally concerned.

We appreciate that a short-sighted attitude on the part of the consumer, with a short-sighted attitude on

the part of the farmers, may create a condition under which milk this fall or this next winter may go up infinitely higher than at any previous period in the history of milk. It requires a cooperation, an intelligent cooperation, on the part of us all at this time, forgetting, so far as we possibly can, our personal interests for the benefit of the industry as a whole, of which we are all part.

We have had meetings of our Board; there have been discussions of the situation between the distributors and the representatives of the producers. The facts are thoroughly known. It gets down to a matter as to what this Commission can do.

Under its present warrant of authority, as it now stands, the Commission will ruin the whole industry unless that warrant of authority is modified as these conditions require. It has got to have more flexibility. We appreciate that, and I trust that the producers do, the same way.

The law of supply and demand can't be ignored or repealed. I believe it was repealed once, in Missouri, by some people who did not like it, -- had not known exactly how it stood, but they heard it and did not like it, and repealed it. We cannot repeal it; it is here.

Now, we have taken up these three suggestions which the Commission made as to its changes in authority. We are going as far as we think we possibly can in meeting

Commission's suggestions. Mr. Nathans, at my left, is now endeavoring to put in some changes which have come up in connection with our discussion today; and when these are done, I will hand those proposed changes in the warrant of authority to you for consideration.

Now, personally~~y~~ may I say what we suppose and the warrant of authority and the modifications will show in detail what I am now telling you.

In the first place, we shall have to have the elimination from the formal power of the Commission, of the manufacturing interests. They have already told us what they can't do; and I think we all of us appreciate their situation. In doing a national business or an international business, you have got to meet the conditions that you find, not in one locality, but all around the United States; and these men have got to meet, not the competition of a local market, but the competition of a national market, and they would be put in a position where they can't do it. They can't agree to pay in New York a great deal more money for milk than they pay in some other section; and in view of the competition coming from that other section. Liquid milk has a limited area; condensed milk has no limited area.

Then again, as has already been indicated in Mr. Scudder's testimony, they have got this extraordinary situation which we trust is of more or less temporary

character; but no man alive can say that it is temporary, due to cutting down of transportation.

The conditions confronting the condenseries and manufacturers are so serious that they do not feel that they will be warranted in continuing to agree to take the prices fixed by this Commission. However, they will, as far as they possibly can, go with us in assisting the Commission, assisting us as distributors, and assisting the producers and in getting for the milk for the producer a fair price. We have no disposition to do anything else than to give the producer a fair price -- as good a price as market conditions will permit; but we cannot make those conditions. We can't underwrite the surplus milk of New York under the conditions now confronting us at the price fixed by some one else; and that is what the condensers have practically had to do. But they are going as far as they can with us; but so far as the warrant of authority includes the condensed milk and manufacturing interests, to that extent it will have to be eliminated.

Of course, as Mr. Nathans has indicated, the condensers do not feel that, inasmuch as the warrant of authority was intended to apply to liquid milk and sale in New York, that there was any intention of covering them in the same sense that it covered the liquid milk people; but they are taking a very broad gauge attitude on it as far as January, February and March are concerned, as

far as the letter indicates.

Now, let us get at the next thing. You have got to do something, and if we do not do it ourselves, it will be done for us by economic law, over which we have got no control. We have got to do something about handling this surplus. That surplus is the bone of contention here; it is not something which we are creating for the farmer or that the farmer is intentionally creating for us both. It is on us both, but it has got to be taken care of, and it can't be simply dumped on to us with the expectation that we are going to carry it, for our back will be broken by it. There are not millions enough in this investment of liquid milk handling, to carry that load as it confronts us now.

Now, what we thought was this, -- carrying out the Commission's idea of having the milk handled on an annual basis. We can meet that. I think that is advisable, to have the Commission have the power to handle the milk on an annual basis; with this proviso, that when the market condition becomes such that it indicates that there is a material surplus of milk offered for sale and which can't be sold on the market -- that is the condition that normally results in a reduction of price or in a disintegration of the market -- then it is the duty of the distributors and producers to get together in a joint meeting with the Commission and discuss that surplus which, by the way, may I say, is not a part of the warrant of

of authority, because your warrant of authority covers the milk which is to be sold in New York, not surplus milk that is not to be sold, but that surplus has to be taken in this connection.

Now, we will have this meeting, joint meeting of the producers and distributors, with the Commission; and see if we cannot evolve a plan that we can all of us agree to, going the thing over in a particular way and trying to meet it the best we know how.

But, if we can't meet it by some agreement which the producers and distributors can make, which the Commission approves, then we think the Commission is bound to have the authority to fix the price on surplus milk, based upon manufacturing and market conditions. It may have that power to fix the price of manufacturing and market conditions, in the event that we cannot agree among ourselves, then that burden of meeting those market conditions, of dealing with the law of supply and demand, as intelligently and as completely as it can be, and as unselfishly, is the duty which will have to fall upon the Commission.

As far as we are concerned, we are willing to commit that very broad authority to the Commission, in the event that the distributors and producers can't agree, and trust that the same spirit of fairness and desire to do right, with the difficult subject, which the Commission has always evidenced, will be with them in meeting that condition.

Now, that will take care of the producing end on an annual basis, of prices run along the annual basis, fixed that period of not to exceed six months. I do not think it is necessary to exceed that amount in any one set of prices; and to take in the same conditions of cost and profit as you have before, but spread along a longer period.

Now, the conditions with reference to the distributor are much the same, are practically the same, as to the fixing of prices on cost and profit for the same period that were fixed for the producers, and those prices to be put into effect on an annual basis as you put them in effect for the producer, and the prices so fixed to be the prices for the sale of liquid milk in New York.

The surplus problem is an emergency problem and a side problem. The main problem is the ~~liquid~~ liquid milk in New York, as heretofore. Now, the Commission is asked to have us consent to the full period of a year. We are willing to consent that the Commission shall have power and authority to the extent of its warrant of authority, for the calendar year 1918; that is, so as to make a full cycle, and with the privilege of either party, at the end of that time, withdrawing on thirty days' notice.

It is the intention that the prices that are fixed to the producer shall be on a butter fat basis, and on a butter fat basis only; and all milk that is sold to the distributors by farmers, producers, shall be sold on a

uniform butter fat basis, governing us all.

I think those suggestions cover the lines on which the Commission ask us, for this extension of its warrant of authority.

Is there anything else?

THE CHAIRMAN: Mr. Alger, may I ask one question?

MR. ALGER: Yes.

THE CHAIRMAN: As I understand it, the thought that you have in mind, or the suggestion made, is that the Commission shall establish a cycle of prices.

MR. ALGER: Yes.

THE CHAIRMAN: At one time.

MR. ALGER: I do not think it is. I do not think any one but a clairvoyant could establish a cycle of prices for a year. I think you might, at the outset, establish a reasonable cycle as far as six months. I do not think you would want to do it, but our feeling this time is that you lacked authority before; and so far as we are concerned, with considerable trepidation, of course, we appreciate that, we are willing to let you have authority to make a cycle of as much as six months at a time. I do not think you ought to go — it is on an annual basis, you appreciate that.

THE CHAIRMAN: I want to get your thought.

MR. ALGER: But the prices named not to be fixed for a period of more than six months.

THE CHAIRMAN: I was asking --

MR. ALGER: You are to bear in mind -- what I mean is this, -- you are to bear in mind that we are dealing with an annual problem, and you are simply fixing for a portion of that period, on that annual basis, the price that will govern. Have I made myself clear, doctor?

THE CHAIRMAN: Yes, sir.

COMMISSIONER WILLIAM: Doctor, I would like to ask Mr. Alger if he represents so-called manufacturing interests as well as the distributors' interests.

MR. ALGER: I think I shall have to say no to that, Mr. Williams. I am a little embarrassed by the disappearance of the condensed interests; but the producers understand it, and I think you do. They have given a notice to us that they can't come in this. Their hazards are much more serious hazards than have been those serious hazards which confront us.

MR. MILLER: Mr. Alger, may I ask a question?

MR. ALGER: Yes.

MR. MILLER: Have the manufacturers withdrawn from the milk dealers' conference board?

MR. ALGER: Mr. Nathans could answer that question.

MR. NATHANS: No.

MR. ALGER: No, they have not withdrawn from the conference board.

MR. MILLER: In cases where different companies

both manufacture and sell the fluid milk, what method have you to suggest as to that in fixing prices?

MR. ALGER: Simply that the price to be fixed is to be fixed upon the basis of liquid milk, for liquid milk intended for shipment and sale in the City of New York.

COMMISSIONER SHEDRICK: May I suggest that you read the warrant of authority, the changes suggested? I think Mr. Miller will at once see how you figure that out.

MR. ALGER: I have not enough of them changed and corrected. The easiest thing to do -- the stenographer does not need to take this down unless he wishes. I will read both amendments.

MR. NATHANS: If you do not mind taking them uncorrected, you will just notice several small changes.

COMMISSIONER BROWN: Before you start this, Mr. Alger; this is merely the suggestion of the distributors, is that it?

MR. ALGER: Yes. Judge Miller asked the other day, I understand, to see this in advance.

MR. MILLER: Yes, sir.

MR. ALGER: Mr. Nathans asked me about it, but I thought, inasmuch as our Board itself had not passed on it -- simply my own views connected with those of Mr. Nathans -- that it would not be proper for us to give this out in advance, because our own people might have other views and it would prove an embarrassment to us, as well as no help to

the producers.

The first page is as it stands, no changes; and if you go over it — I will read it just as it is.

(Reading).

"Memoranda for amendments to grant of authority creating the Federal Milk Commission for the Middle States.

The Federal Milk Commission for the Middle States at a meeting held on Sunday, February 24th, 1918, offered certain suggestions for amending the grant of authority under which they operate. This grant was made by the U.S. Food Administration in pursuance of "an agreement having been reached by the representatives of the producers and of the distributors of milk, the representatives of manufacturers of milk products, the representatives of state and municipal governments in the territories hereinafter mentioned, on the one hand, and the U.S. Food Administration on the other for the appointment by the U.S. Food Administration of a regional commission to determine the reasonable price for milk to be paid by the purchasers thereof and the reasonable price of milk that should be paid by the consumers to the distributors.

The grant then further recites that "the said commission is hereby given full power and authority to determine under the conditions hereinafter named, the reasonable price of milk that shall be charged by the producers thereof and the reasonable price of milk that the distributors of milk shall charge the consumers in the City of

New York, and in all other cities of the State of New York, should occasion or demand later arise for such determination.

The Commission suggests an extension of its powers be agreed upon to the following extent:

1. That the cost investigating and price fixing authority shall be extended to cover the year 1918.

2. That the Commission be empowered to fix prices on the basis of a year's business and profits.

3. That the liberty of either party to withdraw from the agreement on thirty days' notice be rescinded.

The grant of authority has been found by the distributors of milk in the City of New York to work unsatisfactorily in some respects and to require amendment.

It is submitted the suggestions of the Commission may become operative in a satisfactory manner by the incorporation of the following changes in the grant of authority:

- (1) The condensed milk manufacturers have during recent months found it possible to pay the same price for milk as was paid by market milk distributors, and accordingly have notices posted at their plants agreeing to pay for the months of January, February and March the prices fixed by the Federal Milk Commission for the middle States. However, they have notified the organization

of which they are members, and in which the distributors of market milk are also represented, that due to transportation and other conditions beyond their control, and also because of a manufacturing disadvantage resulting from the fixing and approval by the U.S. Food Administration of lower prices for milk in competitive territory than have been so fixed and approved in territory covered by the Federal Milk Commission for the Middle States, they will not, after April 1, 1918, hold themselves liable to the payment of the Commission price and wish to be relieved of the possible necessity for so doing by eliminating from the grant of authority the intimation ~~of~~ that the manufacturers of milk products are thereby included. The Chairman of the Commission has been formally advised of the above and it is suggested the words "the representatives of manufacturers of milk products" be eliminated from paragraph one."

I may say there that while the word "suggested" is used there, it must not be understood that the condensed people have changed their position at all. They will not continue beyond the first of -- beyond April, on this basis.

COMMISSIONER BROWN: That is irrevocable?

MR. ALGER: Well, it is, as far as things stand now.

(Reading) "(2) That the eighth and ninth paragraphs conferring price fixing powers upon the Commission

be changed to read as follows:

And said Commission is authorized, empowered, and required to find from the evidence offered, if possible, the cost of producing said milk and delivering it at the railway shipping point in the territories tributary to and supplying the City of New York, or other cities in the State of New York, as the case may be, and if such costs cannot be shown to a mathematical certainty to then determine such costs according to the best judgment of the Commission based on the evidence offered relating to such cost, and when the cost is determined by either of said methods, to further determine what would be a reasonable and fair profit to the producers of said milk in said territories."

Now, the changes occur in the next clause.

(Reading): "Such cost and profit expressed in a price or prices to be paid producers shall be fixed and adjusted upon an annual basis for a calendar year for a period of not more than six months. The Commission shall fix such prices to be paid by distributors to producers therefor on the actual butter fat content only and no milk shall be sold by producers to be shipped to New York City except on such basis. If it shall be proven that the prices fixed for any period of six months fail to result in a fair and reasonable profit above the rate of cost fixed and adjusted upon an annual basis for any such period, the Commission shall thereupon, in a subsequent schedule of

prices fixed, allow the amount of any such deficiency to be made up in prices to be paid by consumers of market milk in such city or cities. When the volume of milk which may be produced and offered for sale to distributors of market milk in the City of New York marketially exceeds the amount there consumed in fluid form, either as cream or plain condensed milk, the parties in interest may, at a joint meeting of producers and distributors with the Commission suggest to the Commission for its approval a plan for its disposition, and if approved, such plan and any price provided for therein shall have the force and effect of a determination of the Commission. If the parties are unable to so agree, the Commission is authorized, empowered and required to fix a price for such excess of surplus milk, which shall take into account current market and manufacturing conditions and values, and which will permit such milk to be so utilized in the form of by-products as will yield in the judgment of the Commission the greatest return to the producer thereof.

The Commission is authorized, empowered and required to find from the evidence offered, if possible, the cost of delivering milk to consumers in the City of New York and in other cities of said state, if occasion arises so to do, including in said costs country handling expenses and railroad transportation charges from the point of origin, and if such cost cannot be shown to a mathematical certainty,

then to determine such cost according to the best judgment of the Commission based upon the evidence offered relating thereto, and when the cost is so determined, by either of said methods, to further determine what will be a reasonable and fair profit to the distributors of said milk, and the sum of the two shall constitute a just and reasonable price for milk charged by the distributors to the consumers in the City of New York and such other cities in said state as may be involved. Such cost and profit shall be fixed and adjusted upon an annual basis for a calendar year for a period of not more than six months to be identical with the periods covered by the Commission in prices fixed for producers as above provided. If it shall be proved that the price fixed for any period of six months fail to result in a fair and reasonable profit above the rate of cost fixed and adjusted upon an annual basis for any such period, the Commission shall thereupon, in a subsequent schedule of prices fixed, allow the amount of any such deficiency to be made up in prices to be paid by consumers of market milk in such city or cities.

(3) The last paragraph of the grant of authority to be amended to read as follows:

The Commission shall be a continuing body and if after any decision made by it, any party believes that changed conditions have arisen which would justify a change in the finding or the decision, he may make application to

the Commission for a rehearing setting forth in detail the changed conditions referred to, and if the Commission is of the opinion that the conditions cited would justify the necessity for a rehearing, it shall order a further hearing and take the proof of such allegations and render such further decision as the facts may warrant. Either the representatives of the producers or the representatives of the distributors may withdraw from this agreement at the expiration of the year 1918 or at any time thereafter upon thirty days' notice in writing to the U.S. Food Administration."

THE CHAIRMAN: Is that all?

MR. MILLER: The proposition of the Commission with regard to the modification was laid before your body as well, I believe. Have you any statements to make at this time with regard to that modification?

MR. MILLER: Mr. Chairman, at a meeting of the Board of Directors held on Thursday, the directors first took up the question of exercising the option of withdrawal, and they unanimously decided not to exercise that option, expecting that the Commission would continue to fix prices until one or the other parties should withdraw. The directors then took up the consideration and the recommendation of the Commission as to the surrender of that power of withdrawal. That was discussed, and I think a tentative conclusion was about to be reached, -- that

the Executive Committee should investigate one or two factors that we thought required investigation, and to report at a subsequent meeting of the Board of Directors — and at that point a letter was received from Mr. Nathans, the secretary of the Milk Conference Board, enclosing copy of the letter to the Chairman of the Commission, which letter has been read by the Chairman at the opening of this session.

The impression received by the Directors was that that was an absolute withdrawal from the agreement by the condensed milk companies, and a very decided inference to be drawn from it, that the distributors as a whole would withdraw unless the warrant of authority to this Commission should be amended to their satisfaction.

This, of course, left the situation very uncertain in the minds of the directors. It necessarily clouded the situation, and so nothing further was done, awaiting the suggestions to come from the distributors.

I think that answers your questions, Dr. Jordan.

THE CHAIRMAN: Have you anything further to offer at this time, Mr. Miller?

MR. MILLER: As to the suggestion for the amendment, the reformation or the change of the agreement which resulted in the appointment of this Commission, which is clearly stated in the mandate of authority; I will say, first, that so weighty questions as are involved in these suggestions, of course, can't be replied to at this time.

It involves too much, even if the gentlemen here present had authority, so that anything I shall say as to those suggestions are simply passing thoughts.

It strikes me that the amendments of the character offered would result in confusion and make a bad matter decidedly worse. Now, it may be, upon further deliberation, that some method may be found by which there can be a mutual agreement under which this mandate of authority would be amended. We people back in the country are old fashioned enough to believe that when we are sailing across the choppy sea we had better not rock the boat.

These thoughts occur to me as I glance through these suggestions hastily and heard them read by Mr. Alger, that this would result in two farmers side by side, one sending his milk to the condensory, the other to the city, and would be receiving two different prices, each a different price. The condition, we can see, might easily become intolerable. Companies that both manufacture and sell fluid milk, would be paying part of the farmers one price and part of the farmers another. ^{while} So that/I am sure it is not the conscious purpose of these gentlemen to introduce chaos and confusion into this situation, it does strike me as a matter of first thought, that it would introduce intolerable confusion and chaos in the situation. So, I can only say, Dr. Jordan and gentlemen, that these suggestions will be reported, and no doubt the Executive Committee

and the Board of Directors of the Dairymen's League will give them all the consideration that their weight requires. I know that their attitude will be to avoid doing anything that will result or may result in industrial disturbance.

These gentlemen are well justified in trying to protect their interests, and yet the wrongs or the evils and the dangers are largely prospective. Every time there has been an attempt of the farmers to sell their milk to distributors, -- I am not saying this as a criticism, because the distributors, as a rule, have done what they have contracted to do, -- there has been this question of surplus. Your price is all right, and you ought to have the cost of production, but what are we going to do with the milk? Ever since the Dairymen's League have been active, that has been so; and yet, under the testimony that was introduced here last Saturday, the entire loss to the distributors for the milk -- if I recall the testimony right; if not, I will be glad to be corrected -- the entire loss to the distributors and companies included in the list that was presented -- the entire loss on manufacturing for ten months up to November 1st, if it had been distributed per quart to the market milk sold in the fluid state, would have been one mill and 23 hundredths of a mill. Am I correct, Mr. Nathans?

MR. NATHANS: That last year.

MR. MILLER: Yes, sir. Now, the prediction and

the great fear of the wonderful loss which these gentlemen had last winter, did not materialized. Now, I am not saying that the situation now may not be worse than it was then; but somehow I have learned that the problems loom up very, very serious, sometimes ahead, and when you meet them they seem to be much easier. It is like grasping a metal nettle, or driving an automobile,-- a hill ahead looks like a mountain but you go up pretty easy.

So, I do not know. I do hope, Mr. Chairman, that nothing will happen to prevent this Commission fixing the price of milk for April. We are willing to stand upon the contract as it was made. We thought then it was fair and just to all parties; we believe now it was fair and just to all parties. The distributors then thought it was fair and just to all parties. If the relations between the Commission and this great industry are to be disturbed, we want it clearly understood that the responsibility for them is not upon the producers. Their industry may be threatened; ours is gravely threatened. The whole dairy industry is in a condition of progressive decay.

I am not going to worry you gentlemen with statistics, but just think,-- the census last April showed that there was 36 per cent less heifer calves being raised than a year before. The present census shows it is 38 per cent less than last April. Gentlemen, where are the dairy herds coming from?

Now, Mr. Chairman, I appreciate the fact that these gentlemen who represent the distributors will meet the producers in a spirit of conciliation, and we will meet them in a spirit of conciliation, and will give to these suggestions such consideration as their great weight requires.

THE CHAIRMAN: Mr. Miller, you suggested that you believed the Commission should fix the prices for April. You understood, of course, that could not be done without a modification of the authority? Our authority extends over three months only.

MR. MILLER: I do not, Dr. Jordan, interpret the situation like that. According to the mandate of authority, as delivered to this Commission, that would be so.

THE CHAIRMAN: Yes.

MR. MILLER: But the original agreement in Washington provided that this Commission should continue to fix prices during the war, unless one party or the others served a thirty day withdrawal.

THE CHAIRMAN: Yes.

MR. MILLER: That not appearing in the mandate of authority, at one of the hearings in New York it was agreed by both parties -- and you will find that upon the record -- that the warrant of authority to this Commission might be considered to be and was reformed so as to comply with the original agreement, which gives to this Commission

full powers to fix prices during the war, unless one party or the other withdraws from that agreement. That is my understanding, doctor.

COMMISSIONER SHEDRICK: Mr. Chairman, if I understand the warrant of authority and the suggestion made by the distributors, by agreement with the parties at interest, prices may be fixed which will be uniform for all milk purchases to both distributors and condenseries. As this point has come up regarding surplus, I desire read two letters which I think will be of interest to all, which shows how other conditions, appointed in like manner, are taking care of this question which Mr. Miller seems to feel is not very serious, but which they feel is serious, and which they have already provided shall be taken care of. (Handing papers to Chairman).

The figures and facts stated there can be verified by the Commission if they wish. Those are personal letters. If you will read the facts you can verify them, if you care to.

THE CHAIRMAN: Does it make any difference which letter is read first?

COMMISSIONER SHEDRICK: No.

THE CHAIRMAN: The first is a letter addressed by H.P.Hood & Sons, doing business in Boston, to the Sheffield Farms-Slawson Decker Company, attention of Mr. LeRoy Van Bommel.

COMMISSIONER WILLIAMS: In New York or in Boston?

MR. NATHANS: New York.

THE CHAIRMAN: (reading): "Beginning March 1st we are charing the surplus back to the farmers in our New York territory in this way:- 82% of the milk received to each producer will be paid the regular New York zone prices, and the balance - 18% of all milk shipped by each producer will be paid on a cheese basis, which we estimate will be approximately \$3.50 per cwt. It will be based, however, on the New York cheese prices less 2¢ per pound for manufacture, figuring $10\frac{1}{2}$ lbs. of 3.5% milk to make one pound of cheese.

Our manager of the New York territory has talked with the farmers in that section and has also talked with the President of the Dairymen's New York Local League, who has agreed to this plan."

COMMISSIONER WILLIAMS: How many quarts to a pound of cheese, Mr. Chairman, -- $10\frac{1}{2}$?

THE CHAIRMAN: Well, they named $10\frac{1}{2}$ for $3\frac{1}{2}$ per cent milk. That is not very far out of the way.

COMMISSIONER WILLIAMS: $10\frac{1}{2}$ pounds of milk to a pound of cheese?

THE CHAIRMAN: Yes.

COMMISSIONER SHEDRICK: Mr. Chairman, just to enlighten you further on that, I might say, if you will remember while Mr. Allen was with us on that day he stated

that he had asked -- this Commission had asked the distributors and producers to work out that problem themselves, if possible.

THE CHAIRMAN: Yes.

COMMISSIONER SHEDRICK: That is their solution of it.

THE CHAIRMAN: The next letter is addressed to the New York Milk Conference Board by the Detroit Creamery Company. (Reading).

"Replying to your letter of recent date regarding prices as established by the Detroit Milk Commission commencing December 1st the price has been \$3.35 per cwt. for 3.5 milk f.o.b. shipping station in the 15c freight zone. Where the freight is in excess of 15¢ per can the producer stands the difference in rates. These prices prevailed during December and also January.

About the middle of January we called the Commission's attention to the fact that we were receiving a great surplus and could not manufacture at these prices, and at their meeting the latter part of January they ruled that the price should remain the same for all the milk distributed in the city so long as we were getting 14 cents a quart and 8 cents per pint that we should pay for February milk \$3.35 for 90% of the milk received and \$3.75 per cwt. for the other 10%. Our actual surplus at this time was upwards of 15% but the Commission ruled that we should stand

the balance of the loss on surplus.

One of the members after the meeting informed us that while he knew that 10% was not as much as the surplus really amounted to they wanted to try out this method of paying. Our surplus is still increasing, and we have again asked the Commission to set a new price for March and while they have not yet met we fully expect to ~~set~~ be allowed at least 20% surplus at a price less than \$2.75 per cwt. The Commission's idea seems to be that we should pay the high price for all milk used for distribution in the City so long as we are getting the price recommended by them.

If there is any further information kindly let us know and we will gladly furnish same."

That is signed by Detroit Creamery Company, W.J. Desseth, general superintendent.

MR. MILLER: Mr. Chairman, this thought comes to me. I understood Mr. Alger to say that he does not now represent the manufacturers. Are they now represented before the Commission, so that anything can be done?

THE CHAIRMAN: Shall this go into the record?

COMMISSIONER SHEDRICK: I think it would be well for them to go in.

MR. ALGER: They have no representative here, I think. I tried to get some of those condensed people to attend here today, but none of them came. Of course, I have not given up hope of getting the condensed people on

some basis that would cover the whole industry; but I, for one, do not overlook the serious character of the difficulties confronting them. A French philosopher said it is very easy to bear other people's troubles. They have their troubles,-- I am not going to minimize them. I do not think it is common sense to attempt to do it. I do not think there is anything I care to add to what I have already said. I want to assist this Commission to the best of my ability to bridge over a very serious situation, a war situation.

COMMISSIONER MILLER: Mr. Chairman, may I ask Mr. Alger one question?

THE CHAIRMAN: Mr. Alger, Commissioner Miller would like to ask you a question.

MR. ALGER: I beg your pardon?

THE CHAIRMAN: Mr. Fuller would like to ask you a question.

COMMISSIONER FULLER: Mr. Alger, under this proposition that you put here, how would you pay producers for the milk? Would it be your idea, in the condensing sections, to pay the farmers the condensed prices at the shipping stations?

MR. ALGER: I will tell you, Mr. Fuller, what I had in mind, and that is this: I do not believe that you and I and the Commission and the rest of us all put together could now formulate in a definite shape exactly how you will meet some contingency which may not arise, or which

if it does arise, will be different from what we have expected it to be. What I have tried to do is this: If we do have a surplus due to one set of conditions, we will be able to meet it in some way by the farmers, the producers, and the distributors getting together and trying to work out some form of cooperation between the two of us on that problem; and only in case -- and get a solution. of course, which the Commission finds is fair to the public as well as to one another; and then if we cannot get together on some basis, then we will have to pass on this problem to the Commission itself. That is all.

COMMISSIONER FULLER: You see very readily, Mr. Alger, I assume, that that will be a very serious situation from the Dairymen's League standpoint, if they pay half their members condensed milk prices and half of them fluid milk prices.

MR. ALGER: They may have some other way of working out the surplus. I have not said just how that should be done. I want to work in cooperation with the farmers on that. What I do say is that you cannot and should not ignore the existence of this surplus and its enormous possibilities at this time, or push it by or say, "Perhaps it might not happen", and that the distributors ought to run insurance companies and take the chances.

COMMISSIONER FULLER: What made me ask that question is, your suggestion is simply put in the form of

a modified warrant of authority.

MR. ALGER: That is what I intended it to be. I thought your last warrant of authority lacked flexibility, that this warrant of authority ought to have greater flexibility, and it ought to particular provide for some method by which, when these problems arise, -- for this may be only one of a number of problems, -- that we will try and have these farmers and these dealers cooperate in getting those problems in such form as the Commission which represents the public can approve.

COMMISSIONER WILLIAMS: Mr. Chairman, we have before us the statement that it takes about five quarts of milk for a pound of cheese, -- that is, $10\frac{1}{2}$ pounds to the pound -- that is, about five quarters isn't it? May I ask if any one here knows anything about the condensed milk, in the similar ratio?

THE CHAIRMAN: Mr. Nathans can give you that.

MR. NATHANS: It takes 100 pounds of milk -- well, let us put it this way, -- 100 pounds of milk makes a case of condensed milk.

COMMISSIONER WILLIAMS: What do you mean by a case?

MR. NATHANS: And as I understand it, it is about a three or three and a half to one proposition.

MR. CALDWELL: 3 to 1, Mr. Nathans.

MR. NATHANS: Is $3\frac{1}{2}$ to 1 right?

MR. CALDWELL: Well, 310 pounds of milk.

MR. NATHANS: $3\frac{1}{2}$ to 1, is that right? What is the amount of sugar put in 310 pounds to make a case of condensed milk, and that is how many pounds of condensed milk?

MR. CALDWELL: Oh, I do not know what it is.

COMMISSIONER WILLIAMS: He means $3\frac{1}{2}$ quarts of fluid milk to one can of condensed milk.

MR. NATHANS: I think that is right.

THE CHAIRMAN: If it is a quart can.

MR. WILLIAMS: Yes.

MR. NATHANS: I want to correct your idea on the cheese. That varies entirely with the amount of the butter fat in the milk.

COMMISSIONER WILLIAMS: Take 3.5.

MR. CHARLES NIEDER, Vice President of the Empire State Dairy Company: 112 pounds of 3.5 milk will make 28 pounds of sweetened condensed milk.

THE CHAIRMAN: How many pounds of sugar added?

MR. NIEDER: That would make a butter fat of 8.5 I believe that is the requirement to a pound.

THE CHAIRMAN: How many pounds of sugar added to the milk.

MR. NIEDER: 19 pounds.

THE CHAIRMAN: Then that would be 29 pounds of the actual condensed milk when you make the sweetened milk, to 110 pounds of milk?

COMMISSIONER WILLIAMS: That is about $3\frac{1}{2}$ to 1, as Mr. Nathan said.

MR. NATHANS: I will read you from the New York Produce Review and American Creamery. I want to read all of the figures, and taking the minimum which is here, milk possessing 3.2 fat makes 8.76 pounds of cheese, while the maximum figures shown here are 4.5 milk makes 11.74 pounds of cheese. It varies right through that scale.

COMMISSIONER WILLIAMS: Mr. Fuller says 3.5% is about -- 3.5% makes 9.45 pounds of cheese, -- a little more than 10 pounds of milk to a pound of cheese.

COMMISSIONER FULLER: It varies at the time of the year, according to the fat. I mean to say it takes 9.45 pounds of milk to make a pound of cheese.

THE CHAIRMAN: These are details; they are interesting, but --

COMMISSIONER WILLIAMS: Mr. Chairman, it seems to me they are very important. Take, for illustration --

THE CHAIRMAN: We cannot consider them now.

COMMISSIONER WILLIAMS: There is just one thing I think bears upon this, if I may trespass for a moment. If it takes five quarts of milk to make one pound of cheese and the farmer gets eight cents a quart for that milk, that is 40 cents a pound for that cheese of the raw product. I do not see how you can get away from it.

1. The first part of the report

2. The second part of the report

3. The third part of the report

4. The fourth part of the report

5. The fifth part of the report

6. The sixth part of the report

7. The seventh part of the report

8. The eighth part of the report

9. The ninth part of the report

10. The tenth part of the report

11. The eleventh part of the report

12. The twelfth part of the report

13. The thirteenth part of the report

14. The fourteenth part of the report

15. The fifteenth part of the report

16. The sixteenth part of the report

COMMISSIONER MITCHELL: 40 cents?

COMMISSIONER WILLIAMS: Yes. In addition to that, you have the other things that go into the manufacturing costs, and it seems to me that that is such an elementary fact that you have either got to get more than 40 cents for your cheese or pay less than eight cents a quart for your milk, or load the extra cost upon the consumer of fluid milk.

MR. NATHANS: And the cheese market today is ruling around 36 cents.

COMMISSIONER WILLIAMS: Yes.

COMMISSIONER MITCHELL: That is wholesale.

COMMISSIONER WILLIAMS: If I might hold your attention for just another moment on this, -- is not that system of buying milk fundamentally wrong? That is a system under which the distributors agree to take all the milk produced by the farmers and then dispose of it afterwards as they are not doing. Isn't that, after all, -- I mean, it is not -- so far as we know, it is not done in any other profession, any industry, where a premium is put upon production and the consumer agrees to pay at whatever price is fixed all that the producer can produce. Let us assume that the present high prices, relatively speaking, that 50,000 more farmers go into the business in the next year -- there is no way on this theory that that milk could be cared for. What has impressed me from the very beginning is that there is a fallacy in this method of buying milk. My own

thought is whether it would not be to the interest, in the long run, of the farmers and the distributors, as well as the public, to see whether that method of purchasing milk is best for all.

COMMISSIONER FULLER: The surplus has always been considered, as I understand it, an element in the cost of fluid milk, based on the ground of keeping up production.

MR. MILLER: Mr. Chairman.

THE CHAIRMAN: Mr. Miller.

MR. MILLER: Mr. Williams, of course, has intoked a basic economic rule. The general rule, of course, is that the manufacturer or producer of every article produces more than the market could take care of. But the problem before this Commission, I may suggest, is, are there more cows in the territory supplying milk to this city than are necessary to supply the city in every month of the year? If there are, then it is the duty of the farmers to take care of that surplus. If there are not, then it is ^{not} the duty of the farmers to take care of that surplus; for this reason, -- if it is necessary for the farmers to keep their entire herds to supply the city in the winter months, and during the winter months they only receive their costs of production, if in the summer months, when there is a surplus, they must, because of that fact, receive less than their costs of production, it means that for the year they do not receive their costs of production and

their industry must go into decay. I think I made an illus-

tration at one time before this Commission, — there are the railroad cars, the surplus cars which in normal years, during some periods of the year, stand upon the railroad sidings, idle; but they are performing necessary functions, and there will come a time when they will be absolutely needed in the fall to remove the great crops, or something of that character.

Now, if our dairy herds are so adjusted that in the summer we would do, as they turn a faucet, stop them giving any milk, or if it was natural for them to give milk only six months when they become fresh in the fall and give no milk at all in the summer, would any one dispute the fact that the cost of keeping those cows through the summer would be a necessary factor to add to the cost of the winter production? Absolutely not. It is very clear. So that until we reach a time when we have too many cows in this territory, when that rule is applied, it simply means that the cows will go on and give less and less. I say if the Commission will say to the farmers of this territory, "you are keeping too many cows", the farmers will take care of that situation.

COMMISSIONER WILLIAMS: Mr. Chairman, we always find that very uncertain factor is presented to us whenever we consider this basic question. Now, I hesitate -- I hesitate to even speak about it in the presence of the

experts upon the subject, both agricultural and distributing and manufacturing; and yet it does seem to me that this condition is a very serious one, and as an economic question it lies at the bottom of the entire question, -- wheyt whether it is better to have a supply of milk contract; that is, the supply in the city contract with a available supply in the country which means a certain degree of deprivation in the city at certain seasons of the year; or to frankly state the facts to the public and say to them that to insure a normal supply through the winter months they have got to be taxed upon the cost of production throughout the year to cover this surplus question. I am not sure -- I am not clear -- or whether it would be better definitely to take the stand that no cheese and condensed milk shall be manufactured excepting at the times when the cows pasture; in other words, at times when, into the cost of that milk will go none of these high feed costs as at present. Our price of milk is based upon \$60 feeds, and we are not only allowing that for the feed purchase, but also the feed value of the crops raised by the farmers. From what little I know about it, I should think that everything this Commission has done thus far is going to greatly stimulate the production of milk, and thereby increase the seriousness of this surplus problem under the present condition of purchasing milk. Now, it does not seem to me that the people of this city are going to be satisfied to

pay on the basis of 8 cents a quart for the milk they drink.

THE CHAIRMAN: They are not paying that now.

COMMISSIONER WILLIAMS: Substantially that. It was eight.

THE CHAIRMAN: I beg your pardon; we are below that. It was eight -- 8.3 cents in January. It is below that now.

COMMISSIONER WILLIAMS: Yes; or take the year price of 6 cents, -- I am only using the figure by way of illustration -- and we then find that the condensers and cheese manufacturers pay, say, four cents for milk from some sources, and under the same conditions of production. I do not see how there can be any economic justification for giving the farmer those two different prices under identically the same conditions.

THE CHAIRMAN: May the Chairman interrupt? We have got a very specific question before us, involving this agreement. These are interesting discussions, but I think the Commission ought to have in turn the rest of the afternoon for the specific consideration of the problems that have been before us with reference to this agreement; and I hope this general discussion, which we may have at some time, can be abated to the greatest degree -- least possible degree.

MR. MILLER: Mr. Chairman, I agree with that. There was just one thought brought out by Mr. Williams.

It is evident that you are facing two conditions, -- either a solution of this problem in one or the other degree way, -- either by decreasing the herds or by increasing the surplus. I do not know -- not because it is part of this immediate discussion, but I would like to have it appear upon this record as part of the record of this Commission, that ex-Governor Hoar of Wisconsin once said that the dairy cow was the foster-mother of the human race. He was right. The dairy cow is perhaps the greatest of all agencies to take material that is unfit for human consumption and convert it into a palatable, nutritious food. The world is short of food; everybody concedes that, -- short of fat food. Seventy-five per cent of the corn, -- 75% of the food that goes to the hog is unfit for human consumption. 45% of that that goes to the steer is fit for human consumption; while only 11% of that which is fed to the dairy cow is fit for human consumption.

COMMISSIONER KITTREDGE: Mr. Chairman, may I ask Mr. Nathans one question? Why is it so very difficult, almost impossible, to get sweetened condensed milk now in our grocery stores if there is such a large amount on hand?

MR. MILLER: I am very glad you asked that.

MR. NATHANS: I cannot answer that, Mr. Kittredge. I did not know it was hard to get.

COMMISSIONER KITTREDGE: It is almost impossible in New York, and next to impossible in Brooklyn.

MR. NATHANS: Perhaps transportation difficulties are responsible for it. There is a large stock of condensed milk back in the country.

COMMISSIONER SHEDRICK: The same transportation situation is facing the farmer. The dairy farmer can't get feed for his dairy. I know towns where they can't get it.

THE CHAIRMAN: If the parties in interest have nothing further to present --

MR. NATHANS: There is just one thing I may present. Mr. Miller has called attention to the fact that one of our exhibits shows that last year in ten months the loss on surplus which has to be loaded on, must be and was loaded on, to the quarts of milk sold, was 1.23 mills. That was equivalent, last year, in the case of butter, to 1.6 cents. This February, according to the exhibit also filed, the loss per quart is 2.2 cents.

COMMISSIONER WILLIAMS: Mills or cents?

MR. NATHANS: Cents. The loss in those ten months last year was three mills. On cheese, on each quart manufactured this year, 2.6 cents. In other words, last February we lost two cents on each hundred pounds manufactured into cheese, this year \$1.22. Last year 7 cents on each hundred pounds manufactured into butter, this year \$1.05. Therefore, ^{any} comparison, between what the consumer had to stand last year and what he will have to stand

this year, must take that fact into account.

COMMISSIONER WILLIAMS: Mr. Chairman, I would like to clear up my own mind --

THE CHAIRMAN: I wish we would cease this discussion, Mr. Williams. We are here to consider a certain proposition; we are called here to consider this modification.

COMMISSIONER WILLIAMS: Are we to understand, in response to our suggestion as to the renewal of this contract, that the distributors have come back with a counter proposition which involves two elements, first, that the manufacturers will not join in this agreement after April 1st, and secondly, that the distributors will not join in the agreement unless they are given the right to submit the question to arbitration as to what shall happen to the surplus milk if they want to do so? Is that understanding of this matter correct?

THE CHAIRMAN: Is that a fair statement of the case?

MR. ALGER: Not particularly so. The amendment which you have here indicate exactly our position. They are fully set forth in the papers which I have submitted to the Commission.

THE CHAIRMAN: Now, I want to say to the two parties, this Commission cannot execute anything which is not an agreement between you. Those are the terms under

which we have been acting and the terms under which we must continue to act. A proposition has been made from the Commission to the two parties. The distributors have presented their point of view of the way in which that should be modified. The producers may have another point of view, I think it is most essential that you confer and, if possible, reach a mutual agreement to present to the Commission; because it would be difficult for us to impose upon you an agreement -- in deed, we cannot do it, -- and so the only thing that can be done is a mutual agreement between the two parties.

We will now go into executive session.

COMMISSIONER BROWN: Mr. Chairman, just before we go into executive session. I think a false impression has been left in the minds of the producers by what has been said about condensed milk; and in order, so far as possible, to remove that, I am going to give the results of a slight canvass I made of the condensed milk situation I made in New York City in the last few days. This was made chiefly in the retail trade. The retail trade reports an increased demand for condensed and evaporated milk, in the proportion of about 25 per cent increased demand for evaporated and 40 to 50 per cent of condensed. The chain store people, such as the A. & P., the Metropolitan, P. & T., and others, say they cannot at this time get milk; and the wholesalers say the same, that an occasional car, not of a

recognized brand, is now offered by brokers; but all of them are looking for decreased prices; in other words, a slump in the market later, and buying is holding off on that account.

THE CHAIRMAN: The Commission will now go into executive session.

(The Commission then, at 4:05 o'clock P.M., adjourned the public hearing and went into executive session).

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PATENT PENDING

Acme Typewriter Supply Co., N. Y.

